

Article 9 SFDR – Website Disclosure FDC SICAV Global Equities Sustainable Impact – Active 1

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Summary

Fonds de Compensation de la Sécurité Sociale, SICAV-FIS has appointed BNP Paribas Asset Management as the portfolio manager of its sub-fund FDC SICAV Global Equities Sustainable Impact – Active 1 (the “Sub-Fund”). The management of the Sub-Fund has been delegated by BNP Paribas Asset Management to Impax Asset Management Limited (“Impax”) and is classified under Article 9 of SFDR¹.

It should be noted that, in implementing its investment strategy and as an overarching binding restriction, AGI is required to exclude companies from the Sub-Fund referenced on Fonds de Compensation de la Sécurité Sociale, SICAV-FIS’ proprietary exclusion list. The latter screens out companies based on their involvement in controversial practices against international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. Equally screened out are companies linked to following controversial weapons: anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons. Fonds de Compensation de la Sécurité Sociale, SICAV-FIS’ exclusion list can be viewed at <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

The sustainable investment objective of the Sub-Fund is to invest in environmental solutions and companies that are well-positioned in the transition to a more sustainable global economy. The Sub-Fund invests globally in companies active in the growing resource efficiency and environmental markets. These markets address a number of long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, and depletion of limited natural resources.

In order to ensure that the sustainable investments that the Sub-Fund intends to make do not cause significant harm to any environmental or social sustainable objective, the Sub-Fund’s portfolio manager Impax assesses each investment against a set of indicators of adverse impacts by conducting proprietary fundamental ESG analysis for all portfolio holdings. The ESG analysis aims to identify the quality of governance structures, the most material environmental and social harms for a company or issuer and assesses how well these harms are addressed and managed. A proprietary aggregate ESG score is then assigned for each company or issuer taking into account the indicators as set out below, based on a qualitative judgement. The highest rated will be those assessed as managing the risks identified as part of the ESG analysis most effectively. The lowest rated will be assessed as not managing ESG risks to a standard acceptable enough to warrant investment and will be excluded from eligibility for Sub-Fund investment. Companies/issuers managing such risks at a lower, but still acceptable, standard and which are not deemed to cause significant harm will be subject to a weighting cap within the portfolio for risk management purposes.

Impax uses a Global Standards Screening which assesses companies’ impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. The underlying research provides assessments covering the OECD Guidelines for Multinational Enterprises and the UN’s Global Compact Principles, as well as International Labour Organization’s (ILO) Conventions, and the UN Guiding Principles on Business and Human Rights (UNGPs). A company found to be in breach of these international norms and standards is excluded from the investable universe and divested. Where a company is flagged for potential breaches, Impax will monitor and seek to engage, as appropriate.

The Sub-Fund is actively managed and invests in equities from issuers across global equity markets, in accordance with the Sub-Fund’s investment restrictions.

¹ Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (“SFDR”).

The Sub-Fund follows a thematic approach which means that the Sub-Fund invests in companies that provide products and services providing solutions to specific environmental and/or social challenges, seeking to benefit from future growth anticipated in these areas while contributing capital towards the transition towards a more sustainable economy. With respect to this Sub-Fund's thematic strategy, the applicable environmental challenges focus on a number of long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, and depletion of limited natural resources.

The Sub-Fund invests a minimum of (i) 90% of total investments in sustainable investments with an environmental objective, and (ii) 0% of total investments in sustainable investments with a social objective. The Sub-Fund does not commit to a minimum share of Taxonomy-aligned investments, and may hold up to 10% of total investments in "#Not sustainable" investments.

As part of its investment processes, Impax analyses company and issuer disclosures and reports, and uses external ESG-research as an input and support in the analysis. Relevant information comes from various sources including directly from investee companies, companies' various disclosures (including annual and sustainability reports, 10-K filings, websites and proxy statements) or via direct contact and discussions with company management.

To seek to ensure data quality, Impax provides reporting companies periodically with guidance and feedback on ESG data, and stewardship (via engagement and policy advocacy).

There are various limitations to methodologies and data: for example, the quality of underlying data is largely a function of what is reported by investee companies. Reporting companies are at various stages of sophistication in their ability to report on ESG-related data, and accordingly, getting complete and accurate data can sometimes be challenging.

When considering new investments for the Sub-Fund, all investee companies must meet financial and environmental, social and governance criteria before entering the Sub-Fund's investable universe (into which the Do Not Significant Harm ("DNSH") process is integrated). Through screening, Impax intends to avoid companies involved in significant controversies that violate global norms related to human rights, labour, environment and corruption, and through ESG analysis Impax conducts a detailed, proprietary ESG analysis of new investee companies considered for the investable universe and reviews the ESG analysis on a periodic basis.

Impax has implemented specific management procedures applicable to sustainability-related controversies in investee companies. Please see Impax's Engagement Policy on website www.impaxam.com for further details.

The rest of this disclosure sets out more detail on the Sub-Fund's sustainable investment objective, including the indicators used for measuring the attainment of the sustainable investment objective, Impax's methodologies, the data sources its uses and certain limitations related to the same.

Sustainable investment objective

The sustainable investment objective of the Sub-Fund is to invest in environmental solutions and companies that are well-positioned in the transition to a more sustainable global economy. The Sub-Fund invests globally in companies active in the growing resource efficiency and environmental markets. These markets address a number of long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, and depletion of limited natural resources.

The Sub-Fund's investment universe is built through Impax's classification system, supported by a revenue threshold aligned to that classification system.

The Sub-Fund seeks to address the above themes by making investments in companies which have more than 20% of their underlying revenue generated by sales of environmental products or services in the energy efficiency, renewable energy, water, waste and sustainable food and agriculture markets.

No significant harm to the sustainable investment objective

In order to ensure that the sustainable investments that the Sub-Fund intends to make do not cause significant harm to any environmental or social sustainable objective, the Sub-Fund's portfolio manager Impax assesses each investment against a set of indicators of adverse impacts by conducting proprietary fundamental ESG analysis for all portfolio holdings. The ESG analysis aims to identify the quality of governance structures, the most material environmental and social harms for a company or issuer and assesses how well these harms are addressed and managed. Impax seeks robust policies, processes, management systems and incentives as well as adequate disclosure, as applicable.

Additionally, Impax assesses any past controversies identified. A proprietary aggregate ESG score is then assigned for each company or issuer taking into account the indicators as set out below, based on a qualitative judgement. The highest rated will be those assessed as managing the risks identified as part of the ESG analysis most effectively. The lowest rated will be assessed as not managing ESG risks to a standard acceptable enough to warrant investment and will be excluded from eligibility for Sub-Fund investment. Companies/issuers managing such risks at a lower, but still acceptable, standard and which are not deemed to cause significant harm will be subject to a weighting cap within the portfolio for risk management purposes. Impax considers it important to engage with companies and issuers and to analyse company and issuer disclosures and reports. The ESG process is proprietary to Impax, although Impax uses external ESG-research as an input.

Impax uses a Global Standards Screening which assesses companies' impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards. The underlying research provides assessments covering the OECD Guidelines for Multinational Enterprises and the UN's Global Compact Principles, as well as International Labour Organization's (ILO) Conventions, and the UN Guiding Principles on Business and Human Rights (UNGPs). A company found to be in breach of these international norms and standards is excluded from the investable universe and divested. Where a company is flagged for potential breaches, Impax will monitor and seek to engage, as appropriate.

Investment Strategy

Summary of investment strategy

The Sub-Fund is actively managed and invests in equities from issuers across global equity markets, in accordance with the Sub-Fund investment restrictions.

The Sub-Fund follows a thematic approach which means that the Sub-Fund invests in companies that provide products and services providing solutions to specific environmental and/or social challenges, seeking to benefit from future growth anticipated in these areas while contributing capital towards the transition towards a more sustainable economy. With respect to this Sub-Fund's thematic strategy, the applicable environmental challenges focus on a number of long term macro-economic themes: growing populations, rising living standards, increasing urbanisation, rising consumption, and depletion of limited natural resources.

The thematic approach is implemented by investing in equities of companies which have more than 20% of their underlying revenue generated by environmental sales of products or services in the energy efficiency, renewable energy, water, waste and sustainable food and agriculture markets.

The Sub-Fund will apply the Impax' fossil fuel policy. Categories of fossil fuel companies include companies that Impax determines are:

- deriving any revenues or profits (defined as EBITDA) from fossil fuel exploration and production²; or

² Whether coal mining, or conventional oil and gas, or non-conventional sources such as shale gas.

- deriving > 5% of revenues or profits (defined as EBITDA) from fossil fuel refining, processing, storage, transportation and distribution, as well as utility power generation³.

Impax will not invest in companies in the first category above as he believes they face significant climate transition risks. Nor will Impax invest in companies in the second category above, unless Impax has determined that they have credible plans for climate risk mitigation aligned with the transition to net zero.

The Sub-Fund will not have any exposure to traditional (upstream) exploration and production companies. Impax's focus is on investing in those companies well positioned to benefit from the transition to a more sustainable economy. This may include, in limited cases, companies that either displace higher carbon activity (in the case of emerging markets) and/or have credible plans to transition their businesses to align with a Net Zero economy.

Impax's Sustainability & Stewardship team is responsible for the oversight, peer-review and scoring of the ESG analysis (into which the Principle Adverse Impact ("PAI") process is integrated), coordination of focus areas of engagement and further development of ESG, sustainability and stewardship approaches and methodologies. Additional oversight comes from Impax's Compliance team, which conducts monitoring on the investment process, with investment risk oversight.

Summary of policy to assess good governance practices of investee companies

Pre investment

Impax analyses companies' governance structures taking into account what constitutes common and best global practice for governance and identifying potential outliers. Once the governance and other ESG analytical data is gathered, an ESG report is produced and a proprietary ESG score is assigned as part of the fundamental ESG analysis.

Post investment

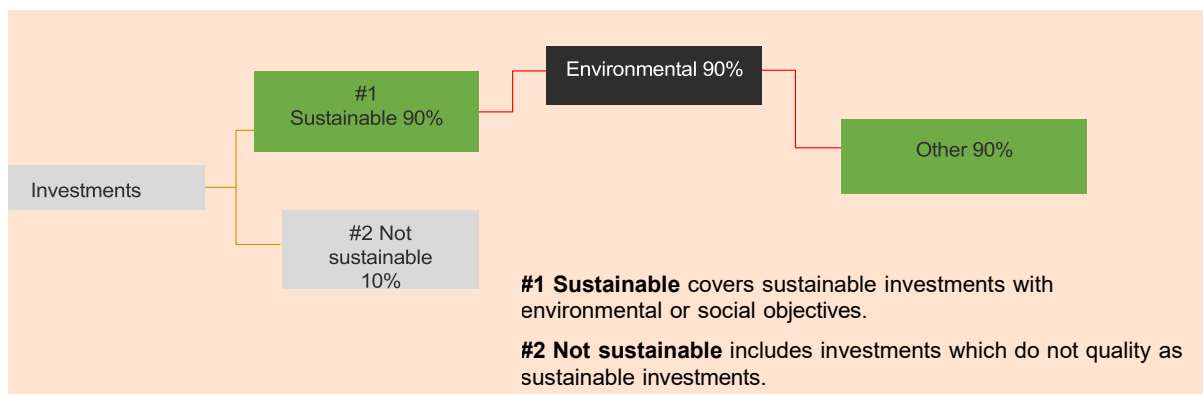
Impax's proxy voting is predominantly related to governance issues such as the election of directors, board structures and management remuneration. When practicable, Impax seeks to engage with the investee company before voting against management's recommendation on an AGM resolution. Impax is also in dialogue with companies throughout the year to discuss and comment on proposed governance structures. The exercise of voting rights does not fall within the competence of Impax for this Sub-Fund.

Proportion of investments

Asset allocation

The Sub-Fund invests in equities as described herein, and will invest a minimum of (i) 90% of total investments in sustainable investments with an environmental objective, and (ii) 0% of total investments in sustainable investments with a social objective. The Sub-Fund does not commit to a minimum share of Taxonomy-aligned investments. The Sub-Fund may hold up to 10% of total investments in "#2 Not sustainable" investments (please see chart below), which may subject to the Sub-Fund's investment restrictions in Fonds de Compensation de la Sécurité Sociale, SICAV-FIS Issue Document, be in cash, cash equivalents, derivative transactions, and exchange traded or money market funds, and may be used for treasury or liquidity purposes, or for hedging/efficient portfolio management purposes.

³ The fossil fuel policy does not apply to companies with indirect exposure to fossil fuels such as automotives, transport, industrials and financials. For example, emerging market utility, storage or distribution companies, as these companies are providing transitional air quality solutions, e.g., replacing coal in regions where coal represents a high proportion of the energy mix in the grid system.



Monitoring of the sustainable investment objective

The following sustainability indicators are used to measure the attainment of the sustainable investment objective of the Sub-Fund:

- the weighted average percentage of the Sub-Fund which is invested in environmental markets as set out above, as measured through revenue;
- the percentage of the Sub-Fund invested in sustainable investments (as defined in SFDR);
- the net carbon impact for the Fund (tCO₂ per \$10m invested for one year), by comparing net carbon impact emissions of Sub-Fund investee companies with the emissions of current and Paris-aligned economy scenarios; and
- how the Sub-Fund considers PAIs on sustainability indicators in accordance with SFDR.

The following metrics for the Sub-Fund are also reported, linking to the markets mentioned in the penultimate paragraph of the section above: water provided/saved/treated; renewable energy generated; materials recovered / waste treated.

Inclusion in Impax's classification system is contingent upon the resource efficiency and environmental markets business comprising >20% of revenue, a hurdle rate that is analysed, and confirmed and documented, by Impax. As the environmental markets have expanded, there have been new universe entrants (for example resulting from IPOs, spin-outs and companies identified by Impax's research), as well as companies leaving the universe due to both merger and acquisition activity, and due to the de-emphasis of environmental activity within businesses' product portfolios as a whole. Impax monitors such changes on an ongoing basis.

Impax also takes into account PAIs in its investment decisions, via its ESG analysis. Impax updates its ESG analysis periodically. In addition it sets strategic engagement areas every 12 months, and sets up specific steps as objectives that it seeks to reach with the engagements. Where Impax identifies an unmanaged adverse impact, and its usual management approach to engagement fails to produce positive outcomes, its Escalation Policy takes hold.

Internal control mechanisms

Impax's Sustainability & Stewardship team is responsible for the oversight, peer-review and scoring of the ESG analysis (into which the PAI and DNSH processes have been integrated), coordination of focus areas of engagement and further development of ESG, sustainability and stewardship approaches and methodologies.

ESG and stewardship is a standing agenda item for Investment Committee meetings, including updates on engagement projects and outcomes.

Additional oversight comes from the Compliance team, which conducts monitoring of the investment process, with investment risk oversight.

External control mechanisms

The metrics referred to above undergo annual limited assurance, which is provided typically towards the end of the calendar year.

Methodologies

Impax uses a variety of methodologies in connection with the attainment of the sustainable investment of the Sub-Fund.

Please see under “monitoring of the sustainable investment objective” for further information with respect to Impax’s classification system.

Impax has developed its own internally generated proprietary methodology for analysing and scoring companies on ESG quality (into which the DNSH process has been integrated), and uses external data as an input. When all the data is gathered, an ESG report is written and a proprietary aggregate ESG score assigned. Where sufficient ESG quality is not achieved, a company or issuer is excluded from the investable universe. In cases where a company has a low ESG score, but is not excluded, the company will have a capped position size in the portfolio, for risk management reasons. Impax does not seek to exclude a certain number or percentage of companies or issuers, but rather seeks an absolute level of ESG quality based on a qualitative judgement.

Please see the section entitled “Data sources and processing” below for information on data sources.

Data sources and processing

Impax uses a variety of data sources in connection with the attainment of the sustainable investment objective. For example, Impax analyses company and issuer disclosures and reports, and uses external ESG-research as an input and support in the analysis. Relevant information comes directly from investee companies, companies’ various disclosures (including annual and sustainability reports, 10-K filings, websites and proxy statements) or via direct contact and discussions with company management.

Impax reviews external ESG research providers periodically, to understand any changes to research methodologies, and to understand their priority areas of research. To seek to ensure data quality, Impax provides reporting companies periodically with guidance and feedback on ESG data, and stewardship (via engagement and policy advocacy).

Ahead of the appointment of a third-party data provider, Impax conducts due diligence on the provider and considers factors such as the quality of service offering, any material gaps in the product or service coverage, complexity of the product/service and ease of use, and cost.

Via research Impax identifies companies which may be eligible for inclusion in the Sub-Fund universe, in accordance with the Sub-Fund’s classification system. Such research, which is generated internally with external research being used to challenge assumptions and conclusions made by Impax’s investment team, comes from a variety of sources including sell side research, industry publications and databases, in addition to the other sources mentioned in this section.

Impax will in due course seek to calculate the proportion of data that are estimated with respect to the sustainable investment objective elements of the Sub-Fund.

Limitations to methodologies and data

The quality of the underlying data is largely a function of what is reported by investee companies. Reporting companies are at various stages of sophistication in their ability to report on ESG-related data, and accordingly, getting complete and accurate data can sometimes be challenging. Impax has developed its own internally generated proprietary methodology for analysing and scoring companies and also estimates key performance indicators where there is robust academic or industry data. The foregoing seeks to reduce the effect of data limitations on the sustainable objective of the Sub-Fund.

While corporate measurement and disclosure is improving, it remains patchy and inconsistent, especially beyond carbon reporting. Impax continues to make the case for stronger reporting through its investee company engagements. In turn, Impax expects that this will enhance the breadth and depth of reporting to clients over time.

Due diligence

All investee companies must meet financial and environmental, social and governance criteria before entering the Sub-Fund's investable universe. Impax is responsible for integrating ESG analysis into the investment process (into which the DNSH process is integrated). Through screening, Impax intends to avoid companies involved in significant controversies that violate global norms related to human rights, labour, environment and corruption, and through ESG analysis, Impax conducts a detailed, proprietary ESG analysis of new investee companies considered for the investable universe and reviews the ESG analysis on a periodic basis.

Further details on how sustainability risks are integrated into the investment decision making process for the Sub-Fund are provided in Impax's ESG Policy available on website at www.impaxam.com.

Internal control mechanisms

Impax's Sustainability & Stewardship team is responsible for the oversight, peer-review and scoring of the ESG analysis, coordination of focus areas of engagement and further development of ESG, sustainability and stewardship approaches and methodologies. Additional oversight comes from Impax's Compliance team, which conducts monitoring on the investment process, with investment risk oversight.

External control mechanisms

Impax does not use external control mechanisms with respect to pre-investment due diligence carried out on the underlying assets of the Sub-Fund. With respect to post investment due diligence and while pointing out that the exercise of voting rights does not fall within the competence of Impax for this Sub-Fund, Impax's proxy voting process, which is part of its broader stewardship activities, is audited each year under ISAE 3402 certification (International Standards for Assurance Engagement).

Engagement policies

Impax has implemented specific management procedures applicable to sustainability-related controversies in investee companies. Please refer to the "Due diligence" section above, and to Impax's Engagement Policy available on the website www.impaxam.com.

Designated reference benchmark

No reference benchmark has been designated for the purposes of attaining the sustainable investment objective of the Sub-Fund.