

Fonds de Compensation de la Sécurité Sociale, SICAV-FIS (the “Fund”)

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: FDC SICAV GLOBAL BONDS - ACTIVE 1 (the “Sub-Fund”)

LEI: 5493001Y3KJ9PT6IU416

Fund Manager: Franklin Templeton Investment Management Limited (the “Fund Manager”)

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

<p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <p><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%</p>	<p><input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 6% of sustainable investments</p> <p><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input checked="" type="checkbox"/> with a social objective</p> <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>
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Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



What environmental and/or social characteristics are promoted by this financial product?

The environmental and/or social characteristics promoted by the Sub-Fund vary by the composition of the portfolio and inter alia include reduction of greenhouse gasses emissions, energy conservation, biodiversity protection, responsible solid and water waste management, alignment with the international business conduct principles and/or board gender diversity. The Fund Manager seeks to attain these characteristics by:

- avoiding investments in issuers that are lagging in the transition; and
- implementing negative screens as part of its investment process, as further detailed in the next section.

Moreover, the Sub-Fund has a minimum allocation of 5% of its portfolio to sustainable investments in economic activities that contribute to environmental objectives and a minimum allocation of 1% of its portfolio to sustainable investments in economic activities that contribute to social objectives.

The Sub-Fund uses a variety of ways to assess its environmental and/or social performance but does not use a reference benchmark to which it aligns the environmental and/or social characteristics that the Sub-Fund promotes.

It should be noted that, in implementing its investment strategy and as an overarching binding restriction, the Fund Manager is required to exclude companies from the Sub-Fund's portfolio referenced on the Fund's 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. The Fund's exclusion list can be viewed at <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators used to measure the attainment of the environmental and/or social characteristics promoted are:

- percentage of investments in green bonds;
- percentage of investments in social bonds;
- percentage of investments in sustainability bonds;
- percentage of investments in bonds issued by best-in-class issuers (the "Environmental Champions");
- exposure to the principle adverse impacts (the "PAIs") indicators compared to the benchmark; and
- the list of issuers, with which the Fund Manager engages.

For the purpose of calculating the sustainability indicators above:

- Environmental Champions are defined as sovereign issuers ranked within the top 20% of their peer group, based on environmental factors including, but not limited to, greenhouse gas emissions, energy intensity, protection of biodiversity, air pollution and renewable energy mix, and corporate issuers ranked within the top 20% of their peer industry group, based on the greenhouse gas intensity.
- A Sub-Fund-level weighted average of each of all the mandatory PAIs indicators under consideration is calculated every quarter for both the Sub-Fund and its benchmark.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

While the Sub-Fund is not committing to have a Sub-Fund level PAIs average better than its benchmark's average, the difference between those two metrics informs how successful the Sub-Fund is in attaining environmental and social characteristics.

The Sub-fund has to follow an exclusion list with a certain number of companies who are not in line with international conventions and standards or linked to controversial weapons.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The objective of the sustainable investments is, amongst others, to Sub-Fund and promote either:

- the efficient use of energy, raw materials, water, and land;
- the production of renewable energy;
- the reduction of waste, and greenhouse gas emissions, and lower impact of economic activities on biodiversity;
- the development of a circular economy;
- tackling inequalities and fostering social cohesion;
- social integration;
- good labour relations; or
- investments in human capital, including disadvantaged communities.

The Sub-Fund's sustainable investments include a minimum allocation of 5% of its portfolio to sustainable investments in economic activities that contribute to environmental objectives.

This is achieved by investing in bonds labelled as being green or in any other securities whose:

- proceeds are used on eligible environmental projects;
- framework adheres to international standards (including but not limited to, the International Capital Market Association (the "ICMA") Green Bond Principles, future European Union Green Bond Standard (the "EU GBS")); and
- issuers do not significantly harm other environmental and social objectives while demonstrating good governance practices.

The use of proceeds for these bonds is clearly defined and aligned with the objectives above.

Additionally, the Sub-Fund commits to include a minimum allocation of 1% of its portfolio to sustainable social activities. This is achieved by investing in bonds labelled as being social or in any other securities, whose:

- proceeds are used on eligible social projects;
- framework adheres to international standards (including but not limited to, ICMA Social Bond Principles); and
- issuers do not significantly harm other environmental and social objectives while demonstrating good governance practices.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The Fund Manager uses proprietary data tools and qualitative research to ensure alignment with the Do No Significant Harm (the “DNSH”) principles across the Sub-Fund’s portfolio.

All issuers are monitored using the Principle Adverse Impact Risk App (the “PAI Risk App”). The PAI Risk App uses data from third-party providers to identify issuers involved in harmful economic activities and/or controversies and exclude such issuers from the investment universe.

A second proprietary tool, the Energy and Environmental Transition Index (the “EETI”), ranks the remaining sovereign issuers in the universe according to their greenhouse gas emissions and intensity. Sovereign issuers falling within the bottom 20% of their peer groups based on EETI are excluded from the investment universe.

Another tool, ESG Credit App ranks corporate issuers by their greenhouse gas emissions and greenhouse gas intensity using various data points such as Scope 1 and 2 greenhouse gasses emissions, emitters’ historic trajectories. Corporate issuers falling within the bottom 20% of the investment universe (i.e. climate laggards) based on the ESG Credit App are also excluded from the Sub-Fund’s portfolio.

Additionally, sovereign issuers are subjected to tests based on their political liberties and/or corruption.

When deploying funds to sustainable investments, especially the 6% of the Sub-Fund’s portfolio committed towards environmental and social objectives, the Fund Manager applies additional qualitative assessment (based on internal research or on external third-party opinion) of the issuer’s and of the projects’ DNSH eligibility.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Adverse impact indicators, including PAIs and other data points deemed by the Fund Manager as proxies for adverse impact, are used to:

- remove issuers that are considered to do significant harm from the Sub-Fund’s portfolio; and
- inform the Fund Manager about the risk associated with adverse impact and take appropriate action – that includes due diligence, qualitative scrutiny and/or engagement (for details of an engagement see sections regarding PAIs and the investment strategy of the Sub-Fund of this disclosure).

While assessing eligible green and social bonds, the Fund Manager reviews and documents the materiality of the relevant PAIs for the project and how the project’s implementation affects the issuer’s overall PAIs outlook.

For example, while investing in a green bond whose use of proceeds targets development of renewable energy sources, (e.g., solar/PV panels), the Fund

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Manager ascertains that financed projects score well on PAIs linked to greenhouse gas emissions.

— — — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The Fund's proprietary exclusion list 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. Securities issued by companies having a severe violation of these frameworks will be restricted from investment universe. Equally excluded are companies linked to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus, and nuclear weapons).

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes. PAIs indicators are considered for the purpose of:

- identifying best-in-class issuers;
- restricting the Sub-Fund's investable universe; and
- guiding thematic engagement.

Identifying best-in-class issuers

The Sub-Fund invests in bonds issued by corporates and sovereigns deemed by the Fund Manager to be Environmental Champions. Environmental champions are identified using two proprietary ESG rankings:

- the EETI ranks sovereign issuers energy efficiency, natural capital conservation, renewable energy performance, using various data points, including greenhouse gas intensity (emissions normalized by gross domestic product, CO₂e/GDP); and
- the ESG Credit App ranks corporate issuers by their greenhouse gas emissions and greenhouse gas intensity using various data points such as Scope 1 and 2 greenhouse gasses emissions, emitters' historic trajectories.

Restricting Sub-Fund's investable universe

Sovereign issuers falling within the bottom 20% of the investment universe based on the EETI and corporate issuers falling within the bottom 20% of the investment universe (i.e. climate laggards) based on the ESG Credit App are also excluded from the Sub-Fund's portfolio.

Equally excluded are bonds issued by companies having a severe violation/breach of principles and guidelines such as the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the United Nations Guiding Principles for Business and Human Rights on the grounds of problematic practices around human rights, labour rights, environment, and corruption issues, as well as bonds issued by companies involved in controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus, and nuclear weapons).

Guiding thematic engagement

The Fund Manager commits to engage with 5% of holdings which are considered as underperformers in terms of their aggregate exposure to applicable mandatory PAIs metrics.



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

The Sub-Fund's Fund Manager employs a proprietary ESG rating methodology with the aim to avoid investment in issuers that are lagging in the transition to support a low-carbon economy. The ESG rating methodology is binding for the Sub-Fund's portfolio construction.

In relation to corporate issuers, the Sub-Fund Fund Manager uses a combination of external and internal data inputs to determine climate transition performance (i.e., the extent to which an issuer is responding to the threat of climate change, for example by engaging in a combination of decarbonisation of products and services, establishing low or no emissions infrastructure, and reducing or eliminating reliance on fossil fuels, including revenue generated from fossil fuels), including but not limited to issuers' direct emissions trajectory relative to peers, decarbonisation of product and services portfolio, and the assessment of opportunities in clean technology and energy.

In relation to government and government-related issuers, the Sub-Fund's Fund Manager uses a combination of data inputs to determine climate transition performance, including but not limited to issuers' environmental risk exposure and environmental risk management. These include data relating to energy resource management, resource conservation, water resource management, environmental performance, management of environmental externalities, energy security risk, productive land and mineral resources, vulnerability to environmental events and environmental externalities.

The Sub-Fund's Fund Manager uses a selectivity approach in order to exclude issuers (corporates and sovereigns) that score in the bottom 20% of its investment universe in terms of these metrics.

In addition, specific ESG exclusions are applied. The Sub-Fund shall not invest in issuers that:

- repeatedly and seriously violate the United Nations Global Compact principles, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises, such as:
 - protection of international human rights;
 - no complicity in human rights violations;
 - respect for freedom of association and the right to collective bargaining;
 - elimination of forced labour;
 - abolition of child labour;
 - elimination of discrimination in respect of employment and occupation;
 - precautionary principle in dealing with environmental problems and/or approach to environmental challenges;
 - promoting greater environmental awareness and/or responsibility;
 - development and dissemination and/or diffusion of environmentally friendly technologies; and
 - working and/or standing up against corruption in all its forms;
- have “Not Free” status according to the Freedom House Index for sovereign issuers;
- manufacture controversial weapons such as those that are defined as being indiscriminate; or those that manufacture components intended for use in such weapons;
- derive more than 5% of their revenue from production of conventional weapons;
- manufacture tobacco or tobacco products; or those that derive revenue from such products that exceeds the Fund Manager’s 5% threshold;
- derive more than 5% of their revenue from gambling or adult entertainment;
- derive more than 5% of their revenue from the mining of thermal coal and its sale to external parties;
- derive more than 5% of their revenue from the most polluting fossil fuels;
- exceed the Fund Manager’s 30% tolerance level of fossil fuels or 5% tolerance level of thermal coal used to generate electricity or lack ambitions regarding decarbonization targets for electricity generation;
- negatively affect biodiversity-sensitive areas; and
- score an ESG rating of CCC according to MSCI.

If a security held by the Sub-Fund falls under at least one of the above exclusions, the Fund Manager will divest from such security as soon as practicable and at the latest within a period of six months.

The Sub-Fund’s general investment approach is described in the Fund’s Issue Document.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy can be summarized as follows:

- the commitment to invest at least 6% of the Sub-Fund's portfolio into sustainable investments, mainly but not limited to, investing in green bonds and social bonds;
- the exclusion of the bottom 20% of the investment universe based on the EETI and ESG Credit App;
- the commitment to engage with the 5% of holdings which are considered as underperformers in terms of their PAIs metrics;
- the application of the ESG exclusions further described in the investment strategy section of this disclosure;
- the exclusion of a certain number of companies who are not in line with international conventions and standards or linked to controversial weapons.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Sub-Fund excludes from its portfolio issuers that score in the bottom 20% of its investment universe, based on EETI (for sovereign issuers) and the ESG Credit App (for corporate issuers).

- ***What is the policy to assess good governance practices of the investee companies?***

Assessment of good governance is achieved on both quantitative and qualitative levels.

For the quantitative assessment of corporate and sovereign issuers, the issuers not following governance practice are determined using data points included into PAI Risk App and are deemed un-investible.

For the qualitative assessment of corporate issuers, the Fund Manager considers governance factors, such as board composition (including but not limited to gender, independence, skill set), governance practices or shareholders protection.

For the qualitative analysis of sovereign issuers, the Fund Manager investigate factors such as political liberties, rule of law, government effectiveness, among others.

Issuers not passing PAI Risk App initial test and/or with qualitatively assessed governance deficiencies are deemed un-investible.

What is the asset allocation planned for this financial product?

The Fund Manager employs a binding proprietary ESG methodology which is applied to at least 90% of the Sub-Fund's portfolio. The remaining portion (<10%) of the portfolio is not aligned with the promoted characteristics and consists of

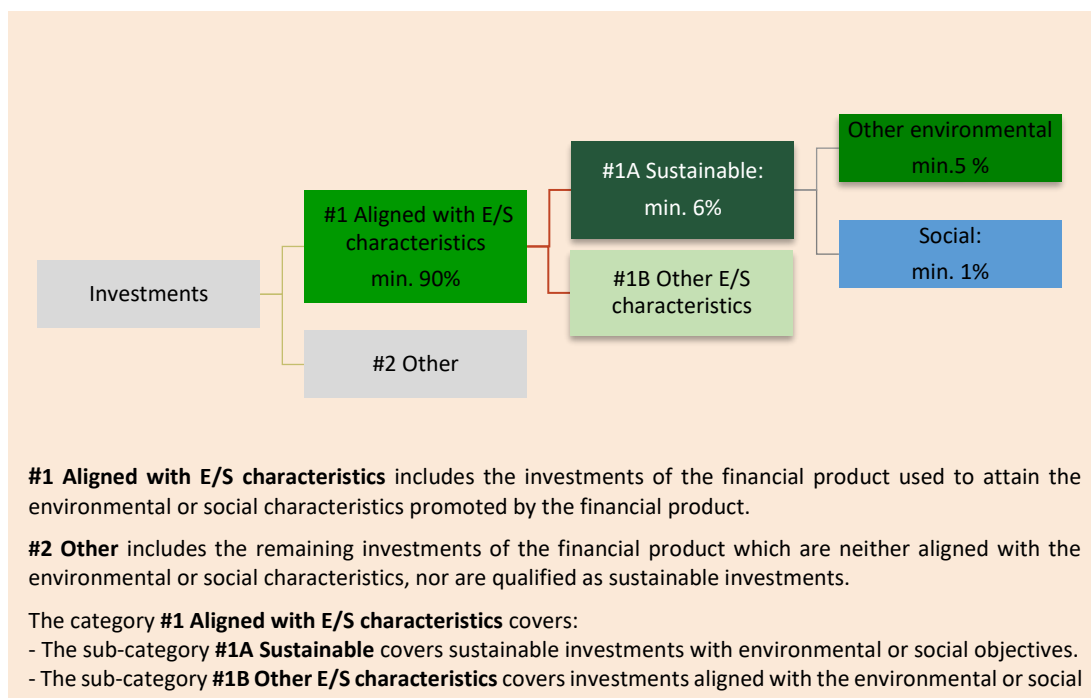
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



Asset allocation describes the share of investments in specific assets.

liquid assets (ancillary liquid assets, bank deposits, money market instruments and money market funds).

Out of the Sub-Fund’s portfolio segment which is aligned with the promoted environmental and/or social characteristics, the Sub-Fund’s Fund Manager undertakes a further commitment to invest a minimum of 6% of its portfolio to sustainable investments, with the portion of investments aligned with environmental and/or social characteristics.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

For asset-based derivatives, the Fund Manager subjects the assets to all relevant ESG screenings. The ESG screenings depend on the nature of the asset.

If it is impossible to determine the ESG quality of the underlying asset because of its nature (e.g., currency forwards for hedging purposes), the Fund Manager assesses the ESG credentials of a derivative contract counterparty. If a counterparty is a subsidiary without separate ESG reporting scheme, the ESG characteristics of a parent company apply. The Sub-Fund does not engage in derivatives with financial institutions which are not meeting the Fund Manager’s ESG criteria. To qualify as eligible counterparty, a financial institution must meet at least two of the following criteria:

- MSCI ESG rating of BBB or above – or in absence of MSCI rating, being above industry average rating as judged by alternative third party ESG data providers;
- signatory to the Equator Principles;
- signatory to Task Force on Climate-Related Financial Disclosures; and
- is committed to set a Science Based Target initiative (the “SBTi”) target.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy? Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

The Sub-Fund does not aim or commit to invest in sustainable investments with an environmental objective aligned with the EU Taxonomy.

The Sub-Fund does not aim or commit to invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy.

- **What is the minimum share of investments in transitional and enabling activities?**

The Sub-Fund does not commit to a minimum share in transitional and enabling activities.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Sub-Fund commits to have a minimum share of 5% of its sustainable investments with an environmental objective aligned with SFDR in its portfolio. These investments could be aligned with the EU Taxonomy but the Fund Manager is not currently in a position to specify the exact proportion of the Sub-Fund’s underlying investments which take into account the EU criteria for environmentally sustainable economic activities. However, the position is kept under review as the underlying rules are finalized and the availability of reliable data increases over time.



What is the minimum share of socially sustainable investments?

The minimum share of sustainable investments with a social objective is 1% of the Sub-Fund’s portfolio.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Under “#2 Other” the Sub-Fund may hold cash, cash equivalents and financial derivative instruments for the purposes of efficient portfolio management and/or risk hedging. For those investments no environmental or social safeguards are applied.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective. Fossil gas criteria include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. Nuclear energy criteria include comprehensive safety and waste management rules. The full criteria are laid down in Commission Delegated Regulation (EU) 2022/1214.



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No reference benchmark has been designated for the purpose of attaining the characteristics promoted by the Sub-Fund.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



Where can I find more product-specific information online?

More product-specific information can be found on websites:

- <https://www.fdc.lu>
- <https://fdc.public.lu/en/investissement-responsable/approches-durables-gerants-fdc.html>

More information about the Fund Manager can be found on website:

- <https://www.ftinstitutionalemea.com/our-company/sustainable-investing>.