

February 2024

Article 8 SFDR – Website Disclosure

FDC SICAV Global Bonds – Active 1

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Overview

Fonds de Compensation de la Sécurité Sociale, SICAV-FIS has appointed Franklin Templeton Investment Management Limited ("Franklin Templeton") as the portfolio manager of its sub-fund FDC SICAV Global Bonds – Active 1 (the "Sub-Fund"). The management of the Sub-Fund has been classified under Article 8 of SFDR¹.

In the implementation of the Sub-Fund's environmental, social and governance ("ESG") strategy, Franklin Templeton avoids investment in issuers that are lagging in the transition to support a low-carbon economy.

The Sub-Fund's environmental or social characteristics are assessed both quantitatively and qualitatively, by means of sustainability indicators as well as of Franklin Templeton's proprietary ESG ratings system and its research and engagement process further described. As part of its investment decision making process, the Sub-Fund's ESG strategy also uses binding criteria for the selection of underlying assets and applies specific ESG exclusions.

Finally, the Sub-Fund has a minimum allocation of 6% to sustainable investments. The Sub-Fund ensures that its sustainable investments do not cause significant harm to any environmental or social sustainable investment objective.

It should be noted that, in implementing its investment strategy and as an overarching binding restriction, Franklin Templeton 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>.

No sustainable investment objective

This financial product promotes an environmental or social characteristic but does not have as its objective a sustainable investment. However at least 6% of the Sub-Fund will be allocated to sustainable investments.

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 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

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

- 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?

Franklin Templeton uses proprietary data tools and qualitative research to ensure alignment with the Do No Significant Harm (the "DNSH") principles across the portfolio.

All issuers are monitored using the Principle Adverse Impact Risk App (the "PAI Risk App"). The PAI Risk App uses data from a third-party provider 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 environmental performance including 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 Scope 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 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 portfolio of the Sub-Fund committed towards environmental and social objectives, Franklin Templeton 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?

When assessing compliance of the Sub-Fund's investments with the Do No Significant Harm principles, Franklin Templeton takes into account all mandatory PAI indicators of Table 1 of Annex I of the SFDR Regulatory Technical Standards ("RTS"), to the extent they are relevant for the investments contemplated by the Sub-Fund and other data points deemed by Franklin Templeton as proxies for adverse impact. Franklin Templeton performs this analysis at the level of each sustainable investment so that the relevance and materiality of the PAI indicators may vary across investments. Issuers deemed to be in breach of these indicators will not qualify as sustainable investments.

While assessing eligible green and social bonds, Franklin Templeton 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), Franklin Templeton ascertains that financed projects reduce exposure to PAIs linked to greenhouse gas emissions.

Are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

For bonds issued by sovereign countries, the Organisation for Economic Cooperation and Development (the “OECD”) Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights are not applicable to such investments. For bonds issued by corporate issuers, the sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Alignment is monitored using data from MSCI. Breaches identified by that service provider are flagged in the investment compliance system for subsequent investigation by Franklin Templeton. Where due diligence proves that the issuer is not aligned with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, it is deemed un-investible.

Environmental or social characteristic of the 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. Franklin Templeton seeks to attain these characteristics by:

- avoiding investments in issuers that are lagging in the transition to a low-carbon economy; 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 does not use a reference benchmark to which it aligns the environmental and/or social characteristics that the Sub-Fund promotes.

Investment Strategy

What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?

The Sub-Fund 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 applied to the whole portfolio and is binding for the portfolio construction.

In relation to corporate issuers, the Sub-Fund 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 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 uses a selectivity approach in order to exclude from its portfolio issuers (corporates and sovereigns) that score in the bottom 20% of its investment universe in terms of these metrics.

In addition to the above, the Sub-Fund applies specific ESG exclusions. Across the entire portfolio, 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 Index² 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 Franklin Templeton’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 Franklin Templeton’s 30% tolerance level of fossil fuels or 5% tolerance level of thermal coal used to generate electricity or lack ambitions regarding decarbonisation 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, Franklin Templeton will divest from such security as soon as practicable and at the latest within a period of six months.

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 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; and
- the application of the ESG exclusions further described in the investment strategy section of this disclosure.

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.

² <https://freedomhouse.org/countries/freedom-world/scores>

For the qualitative assessment of corporate issuers, Franklin Templeton 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, Franklin Templeton investigates 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.

Is there a commitment to reduce by a minimum rate the scope of investments considered prior to the application of the 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).

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 Sub-Fund's investable universe;
- guiding thematic engagement; and
- applying exclusions.

Identifying best-in-class issuers

The Sub-Fund seeks exposure to bonds issued by corporates and sovereigns deemed by Franklin Templeton to be Environmental Champions. Environmental champions are identified using two proprietary ESG rankings:

- the EETI ranks sovereign issuers using various data points that include 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 Scope 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 portfolio.

Guiding thematic engagement

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

Applying exclusions

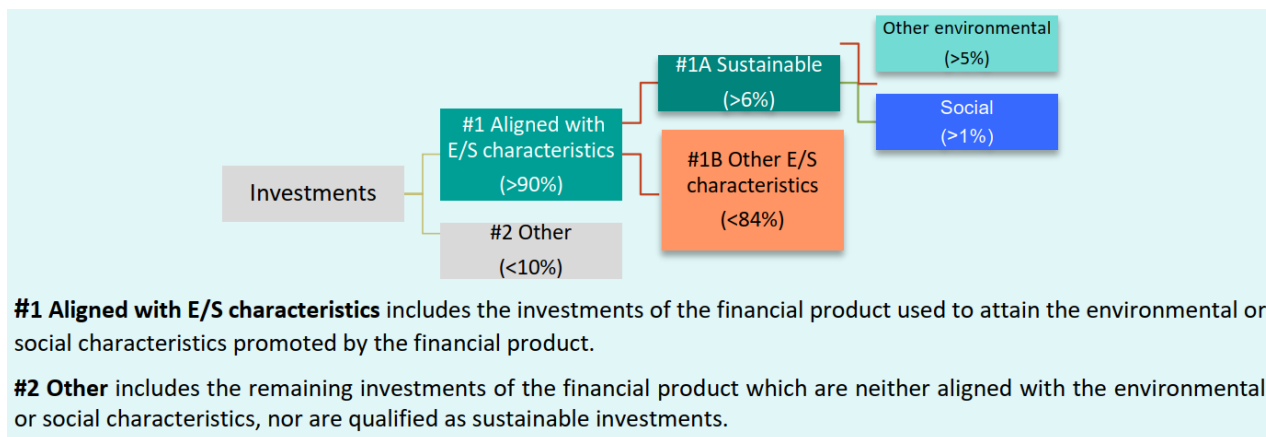
The Sub-Fund also considers UNGC violations and exposure to controversial weapons for the purpose of applying specific ESG exclusions as described in the investment strategy section.

Proportion of investments

At least 90% of the Sub-Fund's portfolio is aligned with environmental and/or social characteristics promoted by the Sub-Fund. The remaining portion (<10%) of the portfolio is not aligned with the promoted characteristics and consists of 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 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.

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



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

If Franklin Templeton is not in position to determine the ESG quality of the underlying asset because of its nature (e.g., currency forwards for hedging purposes), Franklin Templeton 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 Franklin Templeton'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.

Monitoring of environmental or social characteristics

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”);
- the percentage of investment in issuers having exposure to, or tying with excluded sectors and additional exclusions further described in section “Investment strategy”;
- exposure to PAIs indicators compared to the benchmark Bloomberg Barclays Global Aggregate; and
- the list of issuers, with which Franklin Templeton 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 weighted average of each of all the mandatory PAIs indicators under consideration is calculated every quarter for both the Sub-Fund and its benchmark.

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 attains environmental or social characteristics.

The environmental or social characteristics and the sustainability indicators (including principal adverse impact indicators) are monitored throughout the lifecycle of the product.

Initial investment phase

ESG screenings of investments are performed during the initial acquisition phase.

Prior to investment, Franklin Templeton screens all potential investments to confirm they meet the Sub-Fund's criteria and to confirm the portfolio remains in compliance with its policies. This includes PAIs and good governance assessment to ensure that the Sub-Fund's sustainable investment portion does not cause significant harm to any environmental or social sustainable investment objective as described under the section "No sustainable investment objective". In addition, Franklin Templeton ensures that the Sub-Fund does not invest in the exclusion list.

More information on the exclusion list and on the ESG rating methodology can be found under the section "Investment Strategy".

Holding period

Once investments have been made, ongoing monitoring and reporting are performed.

Franklin Templeton conducts reviews to ensure ongoing compliance with the policies and analyse the investments exposure at a portfolio level for possible adverse impact. Exclusions/restrictions based on scoring are coded into our pre trade engine for compliance monitoring. Franklin Templeton is responsible for the correct execution of the ESG due diligence activities.

Divestment

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

Control mechanisms

Franklin Templeton is responsible for supervising and improving the implementation of the ESG policies and responsible investment process across all investments. All binding elements of the Sub-Fund's ESG commitments are regularly reviewed and monitored as part of the Sub-Fund's Investment Compliance process.

In addition, sustainability risk is integrated in the Sub-Fund's risk management processes.

Methodologies for environmental or social characteristics

The Sub-Fund measures the attainment of the environmental or social characteristics by using on an ongoing basis and reporting on an annual basis the sustainability indicators mentioned under the section "Monitoring of environmental or social characteristics" as well as the PAI indicators.

The Sub-Fund relies on the following criteria:

ESG rating

A weighted average of each of all the mandatory PAIs indicators under consideration is calculated every quarter for both the Sub-Fund and its benchmark. 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 attains environmental or social characteristics.

Engagement

The environmental and social characteristics promoted will be considered as attained if Franklin Templeton engages with 5% of holdings which are considered as underperformers in terms of their aggregate exposure to applicable mandatory PAIs metrics. The engagement policies are described under the section "Engagement policies".

Negative screens

The environmental and social characteristics promoted are considered as attained if the percentage of investment in issuers having exposure to, or ties with the sectors and the additional exclusions further described in the pre-contractual disclosure equals 0%.

Investments in bonds qualifying as sustainable investments

In addition to the environmental and social characteristics promoted, the Sub-Fund promotes positive outcomes by investing in bonds qualifying as sustainable investments. The bonds' assessment is described under the section "Environmental or social characteristics of the financial product". These outcomes are considered as attained if the percentage of sustainable investments is equal to at least 6% of the Sub-Fund's portfolio.

Franklin Templeton applies a "pass-fail" approach in determining whether an investment is sustainable, considering a position fully sustainable if it can be classified as a use-of-proceeds instrument financing sustainable projects, ranging from green bonds or social bonds towards more focused instruments (blue bonds, gender bonds etc.).

Franklin Templeton relies on the alignment of the use-of-proceeds instruments with the recognized international standards for green or social bonds, with a special consideration for the ICMA framework and other internationally recognized standards. The certification verification is complemented by an internal analysis to determine the eligibility of the instrument, particularly in cases where there is a lack of external assurance or third-party assessment. The complementary analysis focuses on the alignment of the instrument with the ICMA framework and other international standards, evaluating the instrument's use of proceeds, project evaluation and selection, management of proceeds and reporting as well as the contribution of the project to the relevant UN SDG(s). While assessing eligible bonds, Franklin Templeton also reviews and documents the materiality of the relevant PAIs for the project and how the project's implementation reduces the exposure to those PAIs.

Data sources and processing

Data sources

Franklin Templeton uses multiple sources of ESG information, including but not limited to:

- third party commercial ESG data providers MSCI, ISS, and Sustainalytics;
- international organizations (e.g., the World Bank Group) and recognized nongovernment organizations (e.g., Freedom House, Transparency International); and
- other publicly available sources (e.g., issuers' reports, media coverage).

Measures to ensure data quality

The selected third-party data vendors conduct the quality checks. The Sub-Fund relies on the vendor's robustness of data quality rules and the vendor's service delivery standards.

In addition, a centralized technology department in Franklin Templeton, responsible for central data storage, checks for timeliness to ensure that the vendor delivers as expected and the most recently delivered data is available. Franklin Templeton's investment management team conducts additional quality due diligence in case any anomalies are identified during data processing.

Data processing

The raw ESG data from the external providers is fed to Franklin Templeton through a variety of methods depending on the vendor and dataset and centralized within Snowflake, a cloud data platform (from an external provider) that allows the investment team to store data from different third-party data vendors. The process is automated and fine-tuned for each data vendor. Frequency of delivery and delivery method varies by vendor and dataset. From the central database, the data is sourced to the proprietary tools, where it gets

processed in line with the designed ESG methodology.

Additionally, Franklin Templeton's investment team makes efforts to cover existing data gaps by manual feed of the data gathered from publicly available sources. For the sake of creating relevant rankings, the data is normalized (often on 1 to 100 scale). Both raw and processed data are used in the Sub-Fund's pre-trade engine and compliance system to ensure committed objectives and policies are met.

Estimated data

In situations when reported data is unavailable or its quality is not good (e.g. Scope 3 emissions), Franklin Templeton's investment management team retains right to use estimated data.

Due to current disclosure policies by the external third-party data providers, Franklin Templeton is unable to provide detailed information on the percentage of data estimation. This information may be available in the future.

Limitations to methodologies and data

Limitation to the methodology

Inherent limitations to the methodology exist. The methodology is built on external data points that are developed within the limitation to the data sources.

Limitation to the data sources

Inherent limitations to the data sources exist. Given that the Sub-Fund is allowed to invest in issuers outside the European Union with weaker non-financial disclosure regulatory environment, the ESG data coverage for those bespoke investable universes are limited. In order to address such limitation, Franklin Templeton's investment team engages with the issuers and relevant stakeholders (e.g., local regulators, industry associations) to expand the data coverage.

Due diligence

The Sub-Fund carries out due diligence on the underlying assets in the investment process on a regular basis as described under the section "Monitoring of environmental or social characteristics".

Engagement policies

Engagement is about encouraging issuers to improve their ESG practices over the long-run through a constructive and structured dialogue.

Implementation

Engagement consists of:

- calling upon issuers to be transparent and instigate adequate and sustainable corrective measures following a controversy flagged by a third-party data provider;
- deciding to divest within six months if the controversies are substantiated or ESG risk is not properly addressed and if negative outlook is likely;
- engaging in discussions with 5% of holdings which are considered as underperformers in terms of their PAIs metrics; and
- conducting oriented engagement campaign across portfolio investees addressing specific topics (e.g., human rights, carbon emissions, etc.).

All data concerning issuers that arise during these discussions as well as potential requests for improvement are collected within an engagement tracker.

Progress is monitored and assessed on at least an annual basis.

Corrective measures following a controversy

In the context of a controversy engagement and if appropriate, Franklin Templeton might decide to arrange a follow-up call within 3 to 12 months. During this call, Franklin Templeton will monitor if agreed corrective

measures have been implemented.

Scope and themes covered

Engagement opportunities cover all issuers in the portfolio. Franklin Templeton balances equally material themes (that include climate change mitigation and adaptation, biodiversity crisis, equitable society or any other topics that might be material for a particular issuer, sector or Sub-Fund's objectives).

Reporting

Franklin Templeton's annual Fixed Income Engagement Report includes information on the engagement conducted during the year and on the progress made by the issuers.

Designated reference benchmark

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.