

## 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 PARIS ALIGNED – INDEXED (the “Sub-Fund”)

**LEI:** 636700K117AUIZ4W4U54

**Fund manager (by delegation):** BlackRock Investment Management (UK) Limited (the “Fund Manager”)

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of sustainable investments with an environmental objective: \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of sustainable investments with a social objective: \_\_\_%

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 \_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**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.

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



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

The Sub-Fund is passively managed against the Bloomberg Global Aggregate Ex-Securitized Index (the “Parent Index”) while promoting certain environmental and social characteristics of the Bloomberg MSCI Global Aggregate ex-Securitized Climate Select Index Hedged EUR (the “Benchmark Index”):

1. exclusion of corporate issuers deemed to be involved in certain activities considered to have negative environmental and/or social outcomes;
2. exclusion of corporate issuers deemed to be involved in very severe ESG related controversies;

3. exclusion of corporate issuers deemed to be involved in severe or very severe controversies relating to environmental issues;
4. exposure to corporate issuers which have been selected and weighted to align with the climate commitments i.e. reduction in greenhouse gas emissions (“GHG emissions”) versus Parent Index and year on year decarbonisation pathways;
5. exposure to sovereign issuers which have been selected and weighted to meet a reduction in GHG emissions versus Parent Index.

These environmental and social characteristics are incorporated through the selection of constituents in the Benchmark Index at each index rebalance (as further described below).

The Benchmark Index excludes issuers from the Parent Index based on their involvement in certain activities deemed to have negative environmental or social outcomes. Corporate issuers are excluded from the Benchmark Index based on their involvement in the following business lines/activities (or related activities):

- controversial weapons
- tobacco
- thermal coal
- power generation
- nuclear weapons
- civilian firearms
- oil and gas (including unconventional oil and gas)
- conventional weapons
- weapons systems, components, support systems and services.

The index provider defines what constitutes “involvement” in each restricted activity. This may be based on percentage of revenue, a defined total revenue threshold, or any connection to a restricted activity regardless of the amount of revenue received. In particular, non-corporate issuers may be treated akin to corporate issuers to avoid exposure that is not aligned with the activities criteria described herein, subject to available data.

The Benchmark Index also excludes corporates from the Parent Index which are classified as violating United Nations Global Compact principles (which are widely accepted corporate sustainability principles that meet fundamental responsibilities in areas such as anti-corruption, human rights, labour and environmental) or which have a ‘red’ MSCI ESG controversy flag (based on an MSCI ESG controversy score of 0). An MSCI ESG controversy score measures an issuer’s involvement (or alleged involvement) in serious controversies based on an assessment of an issuer’s operations, products and/or services which are deemed to have a negative ESG impact. An MSCI ESG controversy score may consider involvement in adverse impact activities in relation to environmental issues such as biodiversity and land use, energy and climate change, water stress, toxic emissions and waste issues. An MSCI ESG controversy score may also consider involvement in adverse impact activities in relation to social issues such as human rights, labour management relations, discrimination and workforce diversity. Companies with a ‘red’ or ‘orange’ MSCI environment controversy flag (based on an MSCI environment controversy score of 1 or below) are also excluded from the Benchmark Index.

For corporate issuers and agencies for which MSCI has completed research for climate change metrics, issuers will only be included if they have an MSCI ESG rating and the rating is B or higher. An MSCI ESG rating is designed to measure an issuer's resilience to long-term industry material ESG risks and how well it manages ESG risks and opportunities relative to industry peers. The index provider may consider the following environmental themes when determining an issuer's ESG score as part of the ESG rating methodology: climate change mitigation based on GHG emissions, waste and other emissions, land use and biodiversity. The index provider may also consider the following social themes when determining an issuer's ESG score as part of the ESG rating methodology: access to basic services, community relations, data privacy and security, human capital, health and safety and product governance. The MSCI ESG rating methodology recognises that certain environmental and social issues are more material based on the type of activity that the issuer is involved in by weighting the issues differently in the scoring methodology. Those issuers with higher MSCI ESG scores are determined by the index provider to be those issuers that may be better positioned to manage future ESG-related challenges and risks compared to their industry peers.

Following the application of the above exclusionary criteria, the constituents of the Benchmark Index are selected and weighted using the index provider's optimisation process at each index rebalance. The optimisation process is conducted per sector, keeping overall sector weights neutral to the Parent Index, net of exclusions. Sectors could be further sub-divided where needed to assure that the overall optimisation outcome aligns with financial risk and return objectives and constraints with the Parent Index, as detailed below.

Sectors will be associated with one of two trajectories of emissions reductions, to account for the need of different emission metrics (e.g. for corporate vs. sovereign issuers), their likely emissions trajectory, as well as overall feasibility of constructing a solution that jointly satisfies sustainable and financial considerations detailed herein.

"Trajectory A" seeks to:

- reduce the weighted average absolute GHG emissions (Scope 1+2+3) by 50% compared to the Parent Index;
- reduce the weighted average GHG emissions (Scope 1+2+3) by 10% on an annual basis;
- reduce the weighted average carbon intensity by 50% compared to the Parent Index;
- reduce the weighted average carbon intensity by 10% on an annual basis;
- increase the weighted average green revenue relative to the Parent Index;
- achieve a minimum green to fossil-fuel based ratio relative to the Parent Index;
- increase the weighted exposure to issuers setting carbon reduction targets relative to the Parent Index.

"Trajectory B" seeks to:

- reduce the weighted average absolute GHG emissions by 30% compared to the Parent Index;
- reduce the weighted average GHG emissions by 7% on an annual basis;
- reduce the weighted average carbon intensity and/or efficiency by 20% compared

- to the Parent Index;
- increase the share of green bonds relative to the Parent Index.

Corporates, and agencies for which MSCI has completed research for climate change metrics are to follow Trajectory A, and treasury and sovereigns are to follow Trajectory B (at launch, all other sectors were kept neutral versus the Parent Index).

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 is available at <https://fdc.public.lu/en/investissement-responsable/liste-exclusion-fdc.html>.

For more information on where details of the methodology of the Benchmark Index can be found (including further details of the exclusionary screens and optimisation constraints applied by the index provider), please refer to below section "Where can the methodology used for the calculation of the designated index be found?".

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

The following sustainability indicators form part of the ESG selection criteria of the Benchmark Index tracked by the Sub-Fund:

1. The exclusion of corporate issuers involved in certain activities deemed to have negative environmental and/or social outcomes as described above.
2. The exclusion of companies classified as violating United Nations Global Compact principles by the Benchmark Index as described above.
3. The exclusion of corporate issuers identified as being involved in ESG related controversies as described above.
4. The weighted average absolute GHG emissions relative to the Parent Index as described above.
5. The decarbonisation rate of the weighted average GHG emissions per year as described above.
6. The weighted average carbon intensity and/or carbon efficiency relative to the Parent Index as described above.
7. The decarbonisation rate of the weighted average carbon intensity per year as described above for sectors following Trajectory A.
8. The consideration of the principal adverse impacts on sustainability factors as identified in the table of section "Does this financial product consider principal adverse impacts on sustainability factors?".

The ESG selection criteria of the Benchmark Index is applied by the index provider at each index rebalance. At each index rebalance (or as soon as possible and practicable thereafter), the portfolio of the Sub-Fund is also rebalanced in line with

its Benchmark Index. Where the Sub-Fund’s portfolio ceases to meet any of these characteristics in between index rebalances, the Sub-Fund’s portfolio will be re-aligned at the next index rebalance (or as soon as possible and practicable thereafter) in accordance with the Benchmark Index. Where a constituent is removed from the Benchmark Index in between index rebalances, the Sub-Fund’s portfolio will be re-aligned thereafter as soon as possible and practicable (in the Fund Manager’s view) to align with the Benchmark Index.

● ***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 Sub-Fund does not commit to investing in sustainable investments.

● ***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?***

Not applicable as the Sub-Fund does not commit to investing in sustainable investments.

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

Not applicable as the Sub-Fund does not commit to investing in sustainable investments.

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

While the Sub-Fund does not commit to make sustainable investments, the Fund Manager will not invest in companies on the Fund’s proprietary exclusion list screening out companies based on their involvement in controversial practices against international norms. The core normative framework consisted 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 with severe violations of these frameworks were restricted from the investment universe. Equally excluded were companies linked to controversial weapons being antipersonnel 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.*

**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.



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

Yes, the Sub-Fund takes into consideration principal adverse impacts on sustainability factors by tracking the Benchmark Index which incorporates certain environmental and social criteria in the selection of index constituents.

The Fund Manager has determined that those principal adverse impacts (PAIs) marked as “X” in the table below are considered as part of the selection criteria of the Benchmark Index at each index rebalance.

	PAI Description	Benchmark Index Selection Criteria				
		Min % reduction of GHG emissions and carbon intensity	Exclusion of issuers based on certain environmental screens (listed above)	Exclusion of issuers based on an MSCI ESG Controversy Score	Exclusion of issuers determined to have any tie to controversial weapons	Minimum weighted green to fossil-fuel based ratio
Greenhouse Gas (GHG) emissions	1.(a) GHG emissions (Scope 1/2)	X				
	1.(b) GHG emissions (Scope 3)	X				
	2. Carbon footprint	X				
	3. GHG intensity	X				
	4. % in Fossil Fuels		X			
	5. Non-Renewable/ Renewable %					X
	6. High impact sector energy consumption					
Biodiversity	7. Negative impact to Biodiversity sensitive areas			X		
Water	8. Emissions to Water			X		
Waste	9. Hazardous Waste			X		
Social and employee matters	10. UNGC and OECD Violations			X		
	11. UNGC and OECD Process, Monitoring					
	12. Unadjusted gender pay gap					
	13. Board gender diversity					
	14. Controversial weapons				X	
Indicators applicable to investment in sovereigns and supranationals	15. GHG intensity of investee countries	X				
	16. Investee countries subject to social violations					



## What investment strategy does this financial product follow?

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

The Sub-Fund is passively managed against the Parent Index while promoting certain environmental and social characteristics of the Benchmark Index. The Sub-Fund invests in a portfolio of fixed income securities that as far as possible and practicable, taking into account the environmental and social characteristics noted above, consists of the component securities of the Benchmark Index and thereby comply with the environmental and social characteristics of its Benchmark Index. The index methodology of its Benchmark Index is described above (see section “What environmental and/or social characteristics are promoted by this financial product?”). By investing in the constituents of its Benchmark Index, the Sub-Fund’s investment strategy enables it to comply with the environmental and social characteristics of its Benchmark Index as determined by the index provider. In the event that any investments cease to comply, the Sub-Fund may continue to hold such investments only until such time as the relevant securities cease to form part of the Benchmark Index and it is possible and practicable (in the Fund Manager’s view) to liquidate the position.

The Sub-Fund may use optimisation techniques in order to achieve a similar return to the Benchmark Index which means that it is permitted to invest in securities that are not underlying constituents of the Benchmark Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the Benchmark Index. If the Sub-Fund does so, its investment strategy is to invest only in issuers in the Benchmark Index or in issuers of the Parent Index that meet the environmental and social characteristics of the Benchmark Index at the time of purchase. If such securities cease to comply with the environmental and social characteristics of the Benchmark Index, the Sub-Fund may hold such securities only until the next portfolio rebalance and when it is possible and practicable (in the Fund Manager’s view) to liquidate the position. The strategy is implemented at each portfolio rebalance of the Sub-Fund, which follows the index rebalance of its Benchmark Index.

The Fund Manager carries out due diligence on the index providers and engages with them on an ongoing basis with regard to index methodologies including their assessment of good governance criteria set out by the SFDR which include sound management structures, employee relations, remuneration of staff and tax compliance at the level of investee companies.

- ***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 are that the Sub-Fund will invest in a portfolio of fixed income securities that as far as possible and practicable consists of the component securities of the Benchmark Index and thereby comply with the environmental and social characteristics of its Benchmark Index.

As the Sub-Fund is able to use optimisation techniques and may invest in securities that are not underlying constituents of the Benchmark Index, where it does so, its investment strategy is to invest only in issuers in the Benchmark Index or in issuers of the Parent Index that otherwise meet the environmental and social characteristics of the Benchmark Index at the time of purchase.

In the event that any investments cease to comply with the environmental and social characteristics of the Benchmark Index, the Sub-Fund may continue to hold such investments only until such time as the relevant securities cease to form part of the Benchmark Index and/or it is possible and practicable (in the Fund Manager's view) to liquidate the position.

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 referenced on the Fund's proprietary exclusion list as described above.

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

There is no committed minimum rate to reduce the scope of the Sub-Fund's investments.

The Sub-Fund's Benchmark Index seeks to reduce the number of constituents from the Parent Index through the application of the environmental and social selection criteria. However, there is no minimum rate of reduction applied or targeted by the index provider in the selection of constituents for the Benchmark Index.

The rate of reduction may vary over time depending on the issuers that make up the Parent Index. For example, if issuers in the Parent Index engage in fewer activities that are excluded from the Parent Index based on the environmental and social selection criteria applied by the Benchmark Index, the rate of reduction may reduce over time. Conversely, if the index provider increases the environmental and social selection criteria in the Benchmark Index as the environmental and social selection criteria standards evolve, the rate of reduction may increase over time.

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

Good governance checks are incorporated within the methodology of the Benchmark Index. The index provider excludes companies from the Benchmark Index based on an ESG controversy score (which measures an issuer's involvement in ESG related controversies) which includes the exclusion of companies that are classified as violating United Nations Global Compact principles (see also section "What environmental and/or social characteristics are promoted by this financial product?"). Companies that cannot be assessed for an ESG controversy score where data is not available are also excluded from the Benchmark Index.

In addition, the Fund Manager is required to exclude companies from the Sub-Fund referenced on the Fund's proprietary exclusion list as described above.

**What is the asset allocation planned for this financial product?**

The Sub-Fund seeks to invest in a portfolio of securities that as far as possible and practicable consists of the component securities of the Benchmark Index.

It is expected that at least 80% of the Sub-Fund's assets will be invested in either securities within the Benchmark Index or in securities that meet the ESG selection criteria of the

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



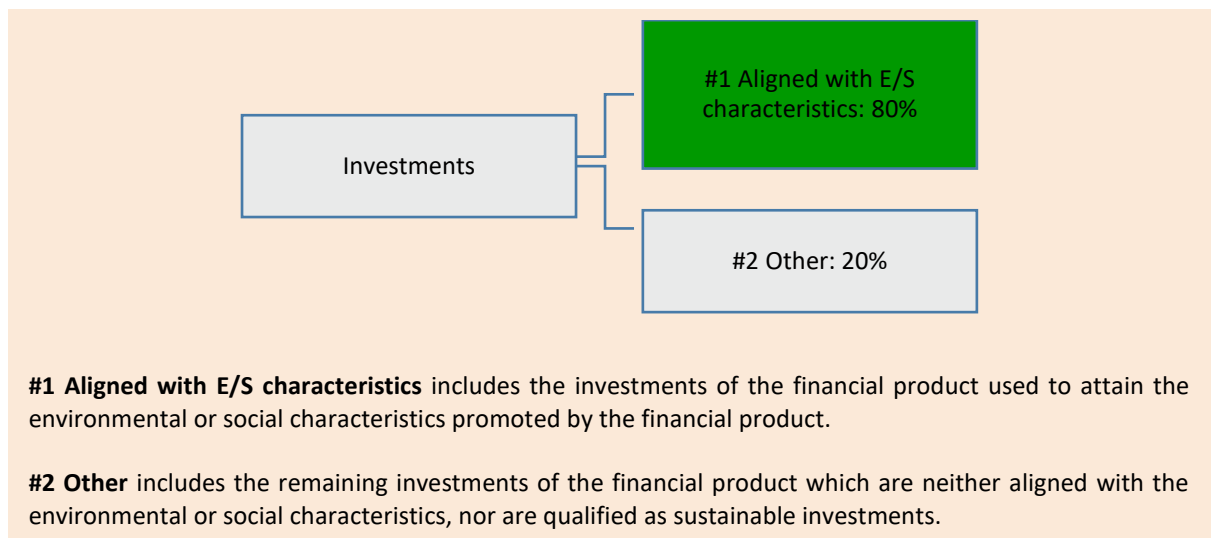
**Asset allocation** describes the share of investments in specific assets.



Benchmark Index. As such, at each index rebalance, the portfolio of the Sub-Fund will be rebalanced in line with its Benchmark Index so that at least 80% of the Sub-Fund’s assets will be aligned with the ESG characteristics of the Benchmark Index (as determined at that rebalance).

In the event that any investments cease to comply with the ESG requirements of the Benchmark Index, the Sub-Fund may continue to hold such investments until such time as the relevant securities cease to form part of the Benchmark Index (or otherwise cease to meet the ESG selection criteria of the Benchmark Index) and it is possible and practicable (in the Fund Manager’s view) to liquidate the position.

The Sub-Fund may invest up to 20% of its assets in other investments (“#2 Other”).



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

The Sub-Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management in connection with the environmental or social characteristics promoted by the Sub-Fund. Where the Sub-Fund uses derivatives for promoting environmental or social characteristics, any ESG rating or analyses referenced above will apply to the underlying investment.

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 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.



**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 Taxonomy<sup>1</sup>?**

The Sub-Fund does not currently commit to investing more than 0% of its assets in sustainable investments with an environmental objective aligned with the EU Taxonomy.

The Sub-Fund does not currently 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 currently commit to investing more than 0% of its assets in investments in transitional and enabling activities within the meaning of the Taxonomy Regulation.



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

Not applicable as the Sub-Fund does not commit to investing in sustainable investments with an environmental objective.



**What is the minimum share of socially sustainable investments?**

This Sub-Fund does not currently commit to investing more than 0% of its assets in investments in socially sustainable investments.



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

Other holdings may include cash, money market funds and derivatives. Such investments may only be used for the purpose of efficient portfolio management, except for derivatives used for currency hedging. Any ESG rating or analyses applied by the index provider will apply only to the derivatives relating to individual issuers used by the Sub-Fund. Derivatives based on financial indices, interest rates, or foreign exchange instruments will not be considered against minimum environmental or social safeguards.

<sup>1</sup> 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 - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy 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?

Yes, this Sub-Fund seeks to achieve the environmental and social characteristics it promotes by tracking the Bloomberg MSCI Global Aggregate ex-Securitized Climate Select Index Hedged EUR, its Benchmark Index, which incorporates the index provider's ESG selection criteria.

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

At each index rebalance, the index provider applies the ESG selection criteria to exclude issuers that do not meet such ESG criteria.

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

At each index rebalance (or as soon as reasonably possible and practicable thereafter), the portfolio of the Sub-Fund is also rebalanced in line with its Benchmark Index.

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

As a result of the application of the ESG selection criteria of the Benchmark Index, the portfolio of the Sub-Fund is expected to be reduced compared to the Bloomberg MSCI Global Aggregate Ex-Securitized Index, a broad market index comprised of fixed income securities.

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

The methodology of the Sub-Fund's Benchmark Index can be found here:

[https://assets.bbhub.io/professional/sites/10/Bloomberg-Methodology\\_38491.pdf](https://assets.bbhub.io/professional/sites/10/Bloomberg-Methodology_38491.pdf)



## 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>