

## Article 9 SFDR – Website Disclosure

### FDC SICAV Global Equities Sustainable Impact – Active 1

#### Summary

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

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

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

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

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

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

The Sub-Fund follows a thematic approach which means that the Sub-Fund invests in companies that

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

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

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

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

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

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

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

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

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

## **Sustainable investment objective**

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

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

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

### **No significant harm to the sustainable investment objective**

In order to ensure that the sustainable investments that the Sub-Fund intends to make do not cause

significant harm to any environmental or social sustainable objective, the Sub-Fund's portfolio manager Impax assesses each investment against a set of indicators of adverse impacts by conducting proprietary fundamental ESG analysis for all portfolio holdings. The ESG analysis aims to identify the quality of governance structures, the most material environmental and social harms for a company or issuer and assesses how well these harms are addressed and managed. Impax seeks robust policies, processes, management systems and incentives as well as adequate disclosure, as applicable.

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

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

## **Investment Strategy**

### **Summary of investment strategy**

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

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

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

The Sub-Fund will exclude fossil fuel related investments as follows:

- Fossil fuel (thermal coal, oil and gas) - Energy Sector: exploration & production and refining & processing:
  - Companies with >0% revenue or profits (defined as EBIT, EBITA or EBITDA) derived from direct fossil fuel activities identified above (i.e., exploration & production and refining & processing) will be excluded from Sub-Fund's portfolio.
- Storage and distribution sector: storage & distribution:
  - Companies with >5% revenue or profits (defined as EBIT, EBITA or EBITDA) derived from direct storage and distribution activities will ordinarily be excluded from the Sub-Fund's portfolio, although companies may be included in the portfolio if a company has established itself as a leader in the transition to a zero-emissions energy economy with

reduction targets, including Scope 1, Scope 2, and Scope 3, that are compatible with the Paris Agreement's target of limiting future warming to 2°C, and has agreed to publicly report on progress.

- Utility power generation sector: coal, oil, natural gas:
  - Companies with >5% revenue or profits (defined as EBIT, EBITA or EBITDA) derived from the above power generation sector will ordinarily be excluded from the Sub-Fund's portfolio, although companies may be included in the portfolio if a company has established itself as a leader in the transition to a zero-emissions energy economy with reduction targets, including Scope 1, Scope 2, and Scope 3, compatible with the Paris Agreement's target of limiting future warming to 2°C, and has agreed to publicly report on progress.

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

### Summary of policy to assess good governance practices of investee companies

#### Pre investment

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

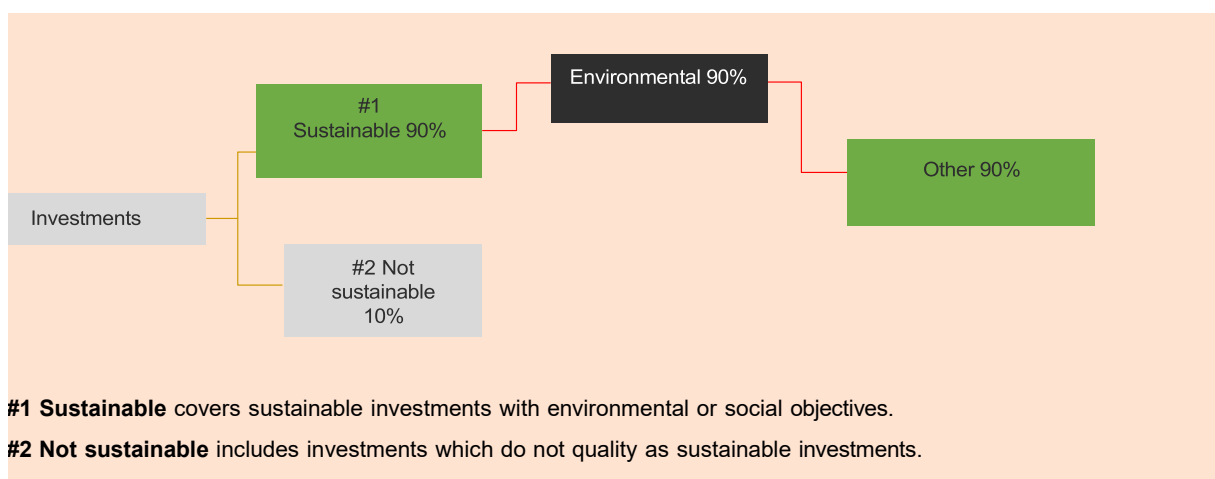
#### Post investment

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

## Proportion of investments

### Asset allocation

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



**#1 Sustainable** covers sustainable investments with environmental or social objectives.

**#2 Not sustainable** includes investments which do not qualify as sustainable investments.

## Monitoring of the sustainable investment objective

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

- the weighted average percentage of the Sub-Fund which is invested in environmental markets as set out above, as measured through revenue;
- the percentage of the Sub-Fund invested in sustainable investments (as defined in SFDR);
- the net carbon impact for the Fund (tCO<sub>2</sub> per \$10m invested for one year), by comparing net carbon impact emissions of Sub-Fund investee companies with the emissions of current and Paris-aligned economy scenarios; and
- how the Sub-Fund considers PAIs on sustainability indicators in accordance with SFDR.

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

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

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

### Internal control mechanisms

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

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

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

### External control mechanisms

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

## Methodologies

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

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

Impax has developed its own internally generated proprietary methodology for analysing and scoring companies on ESG quality (into which the DNSH process has been integrated), and uses external data as an input. When all the data is gathered, an ESG report is written and a proprietary aggregate ESG score assigned. Where sufficient ESG quality is not achieved, a company or issuer is excluded from the

investable universe. In cases where a company has a low ESG score, but is not excluded, the company will have a capped position size in the portfolio, for risk management reasons. Impax does not seek to exclude a certain number or percentage of companies or issuers, but rather seeks an absolute level of ESG quality based on a qualitative judgement.

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

## **Data sources and processing**

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

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

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

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

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

## **Limitations to methodologies and data**

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

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

## **Due diligence**

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

Further details on how sustainability risks are integrated into the investment decision making process



for the Sub-Fund are provided in Impax's ESG Policy available on website at [www.impaxam.com](http://www.impaxam.com).

### **Internal control mechanisms**

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

### **External control mechanisms**

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

### **Engagement policies**

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

### **Designated reference benchmark**

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

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

Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Product name:** FDC SICAV Global Equities Sustainable Impact – Active 1 (the “Sub-Fund”)

**Fund manager (by sub-delegation):** Impax Asset Management Limited (the “Fund Manager”)

### Sustainable investment objective

#### Does this financial product have a sustainable investment objective?

Yes

It will make a minimum of **sustainable investments with an environmental objective: 90%**

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: \_\_\_%**

No

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.



#### What is the sustainable investment objective of this financial product?

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



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

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

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/fdc-exclusion-list.html>.

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

● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

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

- the weighted average percentage of the Sub-Fund which is invested in environmental markets as set out above, as measured through revenue;
- the percentage of the Sub-Fund invested in sustainable investments (as defined in SFDR);
- the net carbon impact for the Sub-Fund (tCO<sub>2</sub> per \$10m invested for one year), by comparing net carbon impact emissions of Sub-Fund investee companies with the emissions of current and Paris-aligned economy scenarios; and
- how the Sub-Fund considers PAIs on sustainability indicators in accordance with SFDR.

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

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

Also, 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.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

In order to ensure that the sustainable investments that the Sub-Fund intends to make do not cause significant harm to any environmental or social sustainable objective, the Sub-Fund assesses each investment against a set of indicators of adverse impacts by conducting proprietary Fundamental ESG analysis for all portfolio holdings. The ESG analysis aims to identify the quality of governance structures, the most material environmental and social harms for a company or issuer and assesses how well these harms are addressed and managed.

The Fund Manager seeks robust policies, processes, management systems and incentives as well as adequate disclosure, as applicable. Additionally, the Fund Manager assesses any past controversies identified. A proprietary aggregate ESG score is then assigned for each company or issuer taking into account the indicators as set out below, based on a qualitative judgement. The highest rated will be those assessed as managing which are not deemed to cause significant harm will be subject to a weighting cap within the portfolio for risk management purposes. The Fund Manager considers it important to engage with companies and issuers and to analyse company and issuer disclosures and reports. The ESG process is proprietary to the Fund Manager, although the Fund Manager uses external ESG-research as an input.

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

Indicators for adverse impacts on sustainability factors have been taken into account in the Fund Manager's fundamental ESG analysis as follows - the data considered, in accordance with SFDR, by the Fund Manager to assess the relevant indicator is set out in the first paragraph under each indicator below:

**Mandatory Indicators**

GHG emissions, carbon footprint and GHG intensity of investee companies

Data considered: an investee company's absolute scope 1, 2 and 3 GHG emissions, and its enterprise value and revenue.

Companies are tiered between those providing full disclosure of Scopes 1, 2, 3 emissions across the majority of their operations; reporting across all four pillars prescribed by the Task Force on Climate related Financial Disclosures (TCFD); having set stretching short-medium term target (3+ years), as well as a Net zero/Paris Agreement aligned/Science-based long term target (10-30 years) and detailed actions plans versus those with no emission disclosure in place, no targets and no clear commitment to setting one.

**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.

#### Exposure to companies active in the fossil fuel sector

Data considered: an investee company's exposure to fossil fuel revenues.

The Fund Manager evaluates a company's transition to a low carbon economy by working towards ambitious science-based Paris-aligned decarbonisation targets and by strategically phasing out any fossil fuel exposure.

#### Share of non-renewable energy consumption and production, and energy consumption intensity per high impact climate sector

Data considered: an investee company's total energy consumption and production as well as the consumption and production from non-renewable energy sources, and an investee company's output metric as the basis of energy intensity.

Companies are tiered between those providing state of the art management processes and reporting for all environmental key issues through certified management systems referencing international or industry standards, challenging long term and interim targets relevant to key issues, relevant KPIs and reporting aligned with internationally recognised frameworks prescribed by the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI) and the CDP, versus companies with limited management processes and reporting, for example providing only qualitative KPIs and anecdotal disclosures.

#### Activities negatively affecting biodiversity-sensitive areas

Data considered: an investee company's sites/operations located in or near to biodiversity-sensitive areas.

The Fund Manager uses external tools and research as well as its own proprietary analysis in assessing companies' management of nature-related harms. The Fund Manager seeks investment in companies or issuers that have addressed the harm with robust policies, processes, management systems and incentives that are scaled appropriately to the importance of the harm. Site-level geolocation data and regional exposure are not always easily available or disclosed by companies and issuers. The Fund Manager engages with companies to achieve geo-location data and to assess the potential harm at the specific locations of interest, for example highlighting habitats of IUCN Red List species (the International Union for Conservation of Nature), protected areas and key biodiversity areas in the vicinity.

#### Emissions to water, and hazardous waste and radioactive waste ratio

Data considered: an investee company's generated tones of emissions to water, and tones of hazardous waste and radioactive waste.

Companies are tiered between those providing state of the art management processes and reporting for all environmental key issues through certified management systems referencing international or industry standards, challenging long term and interim targets relevant to key issues, relevant KPIs

and reporting aligned with internationally recognised frameworks such as ISSB, GRI and CDP, versus companies with limited management processes and reporting, for example providing only qualitative KPIs and anecdotal disclosures.

Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

Data considered: an investee company's involvement in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.

The Fund Manager screens the Fund's investments against adherence to global standards such as the UN Global Compact principles and OECD Guidelines for Multinational Enterprises. An external research provider is used to support this screening activity. A company found to be in breach of these international norms and standards is excluded from the investable universe and divested. Where a company is flagged for potential breaches, the Fund Manager will monitor and seek to engage, as appropriate.

Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

Data considered: instances where an investee company is lacking policies to monitor compliance with the UNGC Principles or OECD Guidelines.

The Fund Manager uses external tools and research to ascertain the existence/non-existence of these policies and identify those companies that do not satisfy credible policy standards in all those areas that speak to UNGC principles or the OECD Guidelines.

Unadjusted gender pay gap

Data considered: an investee company's average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.

Companies are assessed for their pay equity through review of the pay gap, where available, alongside a broader set of KPIs related to Equality, Diversity & Inclusion (ED&I). Companies are tiered between those demonstrating state of the art management processes and those with no ED&I disclosure.

Board gender diversity

Data considered: an investee company's number of women on the board of directors and percentage of board members that are female.

Companies are assessed for their board gender diversity alongside other key roles which influence company strategy alongside a broader set of metrics related to leadership diversity. Companies are tiered between those achieving 40%-60% women on the board and in executive management as well as demonstrating diversity in key roles and those with no women on the board or in executive management.

Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Data considered: an investee company's exposure to controversial weapons through business activity and ownership.

Companies are screened by business activity in an effort to ensure, using a combination of screen activity and the Fund Manager's qualitative judgement that they are not

involved in the activity of manufacturing tailor-made components, using, repairing, putting up for sale, selling, distributing, importing or exporting, storing or transporting controversial or indiscriminate weapons such as anti-personnel mines, submunitions, inert ammunition and armour containing depleted uranium or any other industrial uranium, weapons containing white phosphorus, biological, chemical or nuclear weapons. The Fund Manager seeks to exclude all companies with any involvement in controversial weapons from investment, and in addition uses qualitative judgement as part of the analysis. If the Fund Manager determines that one of these activities takes place within a subsidiary, the direct parent company is also considered to be involved in controversial weapons if it holds a majority equity interest in the subsidiary. Likewise, if one of the above-mentioned activities is determined to take place within a parent company, any majority-owned subsidiary of this parent company is also deemed to be involved.

**Voluntary Indicators**

Investments in companies without carbon emission reduction initiatives

Data considered: instances where an investee company is lacking of all of the following: near- term GHG reduction target, long-term GHG reduction target (10+ years), science-based GHG reduction target, Net Zero commitment.

The Fund Manager actively seeks to engage with companies to encourage the implementation of effective performance management systems, with the objective to establish GHG emissions baseline data (scope 1, 2 and 3), set science-based long-term carbon emission reduction targets with a viable action plan to deliver on these targets, and regularly report.

Water usage and recycling

Data considered: an investee company's operational water use (cubic meters of water consumed), and water management (percentage of water recycled and reused).

Companies are tiered between those providing state of the art management processes and reporting for all environmental key issues through certified management systems referencing international or industry standards, challenging long term and interim targets relevant to key issues, relevant KPIs and reporting aligned with internationally recognised frameworks such as ISSB, GRI and CDP, versus companies with limited management processes and reporting, for example providing only qualitative KPIs and anecdotal disclosures.

Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws

Data considered: an investee company's number of convictions per severity category in the past three to five years (three years for minor controversies or incidents; five years for more significant controversies or incidents).

The materiality and severity of convictions and fines for violation of anti-corruption and anti-bribery laws are reviewed as part of the Fundamental ESG analysis.

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

On top of the Fund Manager's specific assessment, the Fund's specific 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).



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

Yes. The Fund Manager considers principal adverse impacts (PAIs) on sustainability factors by identifying, assessing, and managing negative effects of portfolio-related investment decisions on environmental, social and employee matters, respect for human rights, and anti-bribery & corruption matters.

The following illustrates how it is intended that this exposure is managed, once identified and assessed, taking into account each of the mandatory and voluntary indicators listed above.



1. All companies and other issuers must meet financial and ESG criteria before entering the Sub-Fund's list of investable companies. When all the data is gathered, an ESG report is written and a proprietary aggregate ESG score assigned. The highest rated will be those assessed as managing the risks identified as part of the ESG analysis most effectively. The lowest rated will be assessed as not managing ESG risks to a standard acceptable enough to warrant investment and will be excluded from eligibility for Sub-Fund investment. Companies/issuers managing such risks at a lower, but still acceptable, standard will be subject to a weighting cap within the portfolio for risk management purposes. The Fund Manager does not seek to exclude a certain number or percentage of companies or issuers, but rather seeks an absolute level of ESG quality based on a qualitative judgement.
2. Bottom-up company-specific engagement: As part of the Fund Manager's ongoing, proprietary company and issuer-level ESG analysis, it identifies company and issuer-specific matters and risks and actively engages with companies and issuers about these matters. For the bottom-up, company specific engagements, the objective is typically to solve or improve the issue that has been identified as part of ESG analysis and when that objective has been achieved, move to the next objective or pause the engagement.

Top-down strategic engagement: Every year the Fund Manager assesses and outlines the engagement priorities for the next 12 months. These priorities are based on market developments and emerging sustainability issues that are considered relevant and material for companies and issuers. The Fund Manager then identifies the companies and issuers which it considers are most exposed to these topics and focuses its engagement on specific companies and issuers. For the strategic engagement areas, the Fund Manager sets up specific steps as objectives that it seeks to reach with the engagements. The strategic engagement areas have analysts assigned as leads for each of the areas of engagement.

3. Where the Fund Manager identifies unmanaged risk, and its usual management approach to engagement fails to produce positive outcomes, its Escalation Policy takes hold.

If the Fund Manager views the investee company or issuer as unresponsive to engagement or unwilling to consider alternative options posing less significant risks to shareholders, the Fund Manager will escalate the dialogue by:

- Seeking alternative or more senior contacts within the company or issuer
- Intervening or engaging together with other shareholders

- Intervening or engaging together with other institutions or organisations (multi- stakeholder)
- Highlighting the issue and/or joint engagements regarding the issue through institutional platforms and/or
- Filing or o-filing resolutions at General Meetings

If interventions are unsuccessful and the Fund Manager considers that the risk profile of the company has significantly deteriorated or company strategy/governance structures have altered because of an incident, to a degree where the return outlook and the company's strategy and quality no longer meet expectations, the company would be excluded from the investable universe and/or sold.



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

### **What investment strategy does this financial product follow?**

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

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

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

The Sub-Fund will exclude fossil fuel related investments as follows:

#### Fossil fuel (thermal coal, oil and gas) - Energy Sector: exploration & production and refining & processing

Companies with >0% revenue or profits (defined as EBIT, EBITA or EBITDA) derived from direct fossil fuel activities identified above (i.e., exploration & production and refining & processing) will be excluded from Sub-Fund's portfolio.

#### Storage and distribution sector: storage & distribution

Companies with >5% revenue or profits (defined as EBIT, EBITA or EBITDA) derived from direct storage and distribution activities will ordinarily be excluded from the Sub-Fund's portfolio, although companies may be included in the portfolio if a

company has established itself as a leader in the transition to a zero-emissions energy economy with reduction targets, including Scope 1, Scope 2, and Scope 3, that are compatible with the Paris Agreement's target of limiting future warming to 2°C, and has agreed to publicly report on progress.

Utility power generation sector: coal, oil, natural gas

Companies with >5% revenue or profits (defined as EBIT, EBITA or EBITDA) derived from the above power generation sector will ordinarily be excluded from the Sub-Fund's portfolio, although companies may be included in the portfolio if a company has established itself as a leader in the transition to a zero-emissions energy economy with reduction targets, including Scope 1, Scope 2, and Scope 3, compatible with the Paris Agreement's target of limiting future warming to 2°C, and has agreed to publicly report on progress.

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

The Sub-Fund's investment approach is detailed in the Fund's Issue Document.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Sub-Fund has a revenue threshold in place which ensures that, with respect to sustainable investments, investments are made in companies which have more than 20% of their underlying revenue generated by sales of environmental products or services in the energy efficiency, renewable energy, water, waste and sustainable food and agriculture markets.

The Fund Manager also ensures sustainable investments do not cause significant harm to any environmental sustainable investment objective via its ESG analysis. As described above, for a number of indicators companies are tiered and assessed based on certain data, or, for PAI 10 (Violation of UN global compact principles & OECD guidelines for Multinational Enterprises), a screening process is used, supported by an external research provider.

On top of this, the Fund's specific 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).

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

Pre investment

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

Post investment

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

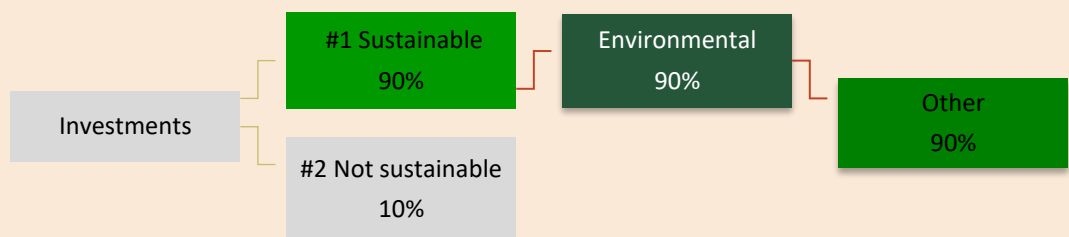
**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



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

**What is the asset allocation and the minimum share of sustainable investments?**

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



**#1 Sustainable** covers sustainable investments with environmental or social objectives.


**#2 Not sustainable** includes investments which do not qualify as sustainable investments.

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.

**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 environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

● **How does the use of derivatives attain the sustainable investment objective?**

The Fund Manager does not use derivatives to attain the sustainable investment objective of the Sub-Fund.



**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 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 will make a minimum of 90% of total investments in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy. The Fund Manager has determined that the economic activities contribute to an environmental objective without using the EU Taxonomy classification system. The Fund Manager has determined that such economic activities contribute to an environmental objective due to the fact that investments are made in companies which have more than 20% of their underlying revenue generated by sales of products or services in environmental markets.



**What is the minimum share of sustainable investments with a social objective?**

The Sub-Fund's does not commit to a minimum share of sustainable investment with a social objective.

<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. 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.



## What investments are included under “#2 Not sustainable”, 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.



## Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

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

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

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.

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.



## Where can I find more product-specific information online?

More product-specific information can be found on website <https://www.fdc.lu>.