

## **LUX IM – ALGEBRIS FINANCIAL CREDIT BOND**

Sustainability-related disclosures required for Article 8 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”)

### **Preamble**

**LUX IM – ALGEBRIS FINANCIAL CREDIT BOND** (“the Sub-fund”) invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics, in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy.

The environmental and social characteristics promoted by the Sub-fund are:

1. Prevention of predatory lending practices
2. Pollution prevention and control
3. Emissions reduction
4. Human rights
5. Labour relations

The Sub-fund does not invest in issuers that qualify as sustainable investment in accordance with Article 2 (17) of Regulation (EU) 2019/2088 (“SFDR”).

The Sub-fund is not considering the EU criteria for environmentally sustainable economic activities as defined under the EU Taxonomy Regulation to determine the attainment of the sustainable environmental or social characteristics that it promotes.

The Sub-fund invests a minimum of 90% of its net assets to investments that are aligned to the promoted environmental and social characteristics.

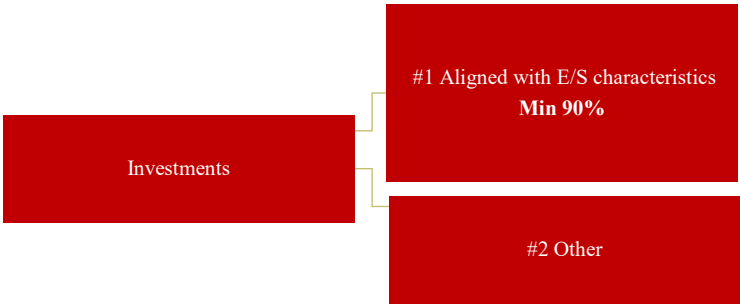
No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

### Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

Section	Regulatory Requirements	Disclosure
<b>Summary</b>  <b>Article 25 – SFDR II</b>	In the website section ‘Summary’ referred to in Article 24, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that promote environmental or social characteristics. The summary section shall have a maximum length of two sides of A4-sized paper when printed.	Please refer to the standardized 2 pager summary <a href="https://www.bgfml.lu/site/en/home/sustainable.html">https://www.bgfml.lu/site/en/home/sustainable.html</a>
	<p>The website section ‘Summary’ referred to in Article 24, point (a), shall be provided in at least the following languages:</p> <p>(a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;</p> <p>(b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.</p>	
<b>No sustainable investment objective</b>  <b>Article 26 – SFDR L2</b>	In the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), financial market participants shall insert the following statement: “This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.”	This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.
	Where the financial product commits to making one or more sustainable investments, financial market participants shall in the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), explain how the sustainable investment does not significantly harm any of the sustainable investment objectives, including all of the following:	
	<ul style="list-style-type: none"> <li>how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account;</li> </ul>	
	<ul style="list-style-type: none"> <li>whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</li> </ul>	
<b>Environmental or social</b>	In the website section ‘Environmental or social characteristics of the financial product’ referred to in Article 24, point (c), financial market	<p>The environmental and social characteristics promoted by the Sub-fund are:</p> <p>1. Prevention of predatory lending practices</p>

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<b>characteristics of the financial product</b>  <b>Article 27 – SFDR L2</b>	participants shall describe the environmental or social characteristics that the financial products promote.	2. Pollution prevention and control 3. Emissions reduction 4. Human rights 5. Labour relations
<b>Investment strategy</b>  <b>Article 28 – SFDR L2</b>	<p>In the website section ‘Investment strategy’ referred to in Article 24, point (d), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> <li>the investment strategy used to meet the environmental or social characteristics promoted by the financial product;</li> </ul>	<p>Due to the key role that the banking and broader financial sector play in providing funding across sectors and economic activities, the Sub-fund is presented with an opportunity to contribute to a fairer and more sustainable economy through its investment in institutions that themselves contribute to this transition. In addition, in the context of its promotion of environmental and social characteristics, the Investment Manager mainly relies on a combination of the following approaches to responsible investment:</p> <p>(1) Key ESG concerns: the Sub-fund aims to facilitate and accelerate the transition towards a greener and more sustainable economy by investing in companies in the financial services sector that are considered acceptable by reference to the environmental and social characteristics the Fund promotes.</p> <p>(2) Exclusion policies: the Sub-fund applies exclusion policies to provide reasonable comfort that the Sub-fund does not make or hold investments in industries, market segments and companies considered to have particularly harmful or controversial practices from an environmental or social perspective. As regards coal in particular, the Sub-fund also applies the following approach: a list of banks that comprise the core universe of the Fund has been identified. The Investment Manager's ESG committee examines each relevant institution's exposure and policies surrounding coal extraction and consumption and, on a case-by-case basis, where relevant public disclosures fall below industry standard or where exposure is thought to be high, a tailored questionnaire assesses the institution's position on coal and any planned action to reduce its coal-related exposure. The Investment Manager's ESG committee engages directly with the same universe of banks, seeking assurance about their controversial weapons involvement and policies. The Investment Manager will not invest in the banks providing the largest share of lending to coal mining.</p> <p>(3) Voting Policy and engagement: On engagement, the Investment Manager holds an ongoing dialogue with investee companies. This is typically done in the form of calls and meetings with management, following publication of banks' periodic results or upon presentation of their industrial plans. This direct engagement also spans ESG-relevant themes (e.g. ESG disclosures; climate transition plans; net zero targets). The Investment Manager also actively participates in several investor collective engagement initiatives (such as the Non-Disclosure Campaign led by the Carbon Disclosure Project (CDP)) and may engage with investee companies as part of these initiatives.</p> <p>(4) United Nations Global Compact screening: the Investment Manager applies screening that evaluates the alignment of investee companies with the 10 Principles of the UNGC. This will exclude investments in companies that are identified as exhibiting a poor performance in business areas relevant to the UNGC principles. In addition, companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.</p> <p>(5) ESG screening: The Sub-fund is subject to ESG screening, which prevents an investment being made in companies that are identified as being in the bottom 15% of its sector's overall ESG score as measured by way of an ESG scoring assessment. This assessment is based on data from third-party ESG data providers (the Data Providers) and internal research.</p>

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		<p>These principles are integrated, on a best-efforts basis, into the investment controls where possible and reviewed on a regular basis by the Investment Manager. Where any of the requirements are not met, the Investment Manager will determine how best to liquidate the position(s), if appropriate, or take action to remediate the situation through active engagement with the issuer. The Investment Manager will abstain from investing in similar investments until the identified issue is resolved and the relevant position is no longer considered in breach of the Sub-fund's sustainability criteria detailed above.</p>
	<ul style="list-style-type: none"> <li>the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.</li> </ul>	<p>The Investment Manager assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external Data Providers in order to satisfy itself that the relevant investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/ Data team of the Algebris group has also developed a proprietary artificial intelligence (AI) driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.</p> <p>To satisfy itself that the relevant investee companies follow good governance practices (in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance) the Investment Manager monitors a number of governance-related key performance indicators (KPIs) for the investee companies. These include:</p> <ul style="list-style-type: none"> <li>• Sound management structures: <ul style="list-style-type: none"> <li>o an aggregate performance index reflecting anti-crime policies and processes; business ethics; and corporate governance structure and effectiveness.</li> </ul> </li> <li>• Employee relations: <ul style="list-style-type: none"> <li>o an aggregate performance index reflecting occupational health and safety; human capital development; and talent retention.</li> </ul> </li> <li>• Remuneration of staff: <ul style="list-style-type: none"> <li>o an aggregate performance index reflecting gender pay gap; and CEO to employee pay ratio;</li> </ul> </li> <li>• Tax compliance: <ul style="list-style-type: none"> <li>o an aggregate performance index reflecting tax strategy and governance; effective tax rate; and tax reporting.</li> </ul> </li> </ul> <p>Data for assessing the elements above is sourced from Data Providers and internal research. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues – such as news items and/or the emergence of governance-related controversies.</p>
<b>Proportion of investments</b>  <b>Article 29 – SFDR L2</b>	<p>In the website section 'Proportion of investments' referred to in Article 24, point (e), financial market participants shall insert the information referred to in Article 14 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.</p>	<p>The Sub-fund invests a minimum of 90% of its net assets to investments that are aligned to the promoted environmental and social characteristics. The Sub-Fund does not use derivatives to attain its environmental or social characteristics.</p>

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		 <p><i>#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.</i></p> <p><i>#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.</i></p> <p>The remaining investments of the Sub-fund (“#2 Other”) may include instruments which are used for the purpose of hedging (including currency risk management), liquidity, diversification, and efficient portfolio management. These investments include, but are not limited to, ancillary liquid assets and financial derivative instruments. Whilst these investments may not be aligned with the environmental or social characteristics promoted by the Sub-fund, they will, to the extent possible, still be subject to the exclusion policies detailed above, in addition to the UNGC Screening. These provide the minimum safeguards.</p> <p>The remaining assets of the Sub-fund will also comprise cash and cash equivalents held from time to time on an ancillary basis, as well as instruments for hedging purposes. No minimum environmental or social safeguards are applied in respect of these.</p>
<b>Monitoring of environmental or social characteristics</b>  <b>Article 30 – SFDR L2</b>	In the website section ‘Monitoring of environmental or social characteristics’ referred to in Article 24, point (f), financial market participants shall describe how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.	<p>The Investment Manager monitors compliance with the environmental and social characteristics and more generally assesses performance on sustainability metrics at portfolio level on an ongoing basis, using a variety of ESG data from different providers. ESG exclusion lists are reviewed at least twice a year and are implemented through automated pre- and post-trade controls coded into the Algebris Order Management System. Other ESG and sustainability metrics are monitored at portfolio level on a regular basis, and no less than every calendar quarter.</p> <p>Algebris dedicated AI/ Data team has also developed a proprietary artificial intelligence (AI) driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies – which is monitored by the ESG team on a weekly basis as a complement to controversy data sourced from external third-party data providers. The Sub-fund’s Management Company will oversee the information provided by the Investment Manager and ensures that the ESG compliance of the Sub-fund is met.</p>
<b>Methodologies for environmental or social characteristics</b>	In the website section ‘Methodologies for environmental or social characteristics’ referred to in Article 24, point (g), financial market participants shall describe the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.	<p>The Manager will use the following sustainability indicators to measure the attainment of the environmental and social characteristics promoted by the Fund. Where relevant, the data for assessing the below indicators is sourced from third-party ESG data providers and internal research.</p> <p><b>Negative Screening</b></p> <p>Exclusion of target issuers that:</p>

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Article 31 – SFDR L2		<ul style="list-style-type: none"> <li>are involved in severe controversies according to the United Nations Global Compact (such as but not limited to human rights violations, labour right violations, environmental damage and corruption);</li> <li>are involved in specific activities (according to specific thresholds applied to the revenues deriving from such activities): <ul style="list-style-type: none"> <li>controversial and nuclear weapons;</li> <li>conventional weapons;</li> <li>adult entertainment;</li> <li>coal and thermal coal;</li> <li>tobacco;</li> <li>gambling</li> </ul> </li> </ul> <p><b>Key ESG concerns</b></p> <p>Characteristic 1: Predatory lending practices</p> <ul style="list-style-type: none"> <li>Indicator: the share of revenues derived from predatory lending activities.</li> </ul> <p>Characteristic 2: Pollution prevention and control</p> <ul style="list-style-type: none"> <li>Indicator: amount of air pollutants in proportion to company revenue and/or the amount of inorganic pollutants in proportion to company revenues.</li> </ul> <p>Characteristic 3: Emission reduction</p> <ul style="list-style-type: none"> <li>Indicator: the share of investments in companies that explicitly disclose that they have either committed to setting or have set science-based targets (SBTs) in relation to decarbonisation</li> </ul> <p>Characteristic 4: Human rights</p> <ul style="list-style-type: none"> <li>Indicator: the share of investments in companies involved in very serious violations of human rights under the United Nations Global Compact (UNGC).</li> <li>Indicator: the existence of Human Rights commitments, policies and procedures at the individual investee level.</li> </ul> <p>Characteristic 5: Labour relations</p> <ul style="list-style-type: none"> <li>Indicator: the share of investments in companies involved in very serious violations of labour rights under the UNGC. For the purpose of this indicator, the Investment Manager defines a very serious violation as the case of a company being: (a) involved in persistent UNGC-related controversies; (b) where the controversy is of critical severity; and (c) where the company is non-reactive. The existence of Human Rights Policies and Commitments at the individual investee level is also monitored in the context of measuring the attainment of targets monitored.</li> <li>Indicator: the evolution at portfolio level of an aggregate labour practice score. The score reflects the investees' gender balance; gender pay ratio; performance in terms of preventing discrimination and harassment; freedom of association; ethnic diversity.</li> </ul> <p><b>Voting policy and engagement</b></p> <ul style="list-style-type: none"> <li>Indicator: the number of ESG-related engagements with investees.</li> </ul> <p><b>ESG screening</b></p>



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		<ul style="list-style-type: none"> <li>Indicator: any share of investments (0%) in companies that are identified to be in the bottom 15% of the distribution of the relevant sector's ESG score.</li> <li>Indicator: the evolution at portfolio level of a global ESG score, as well as of individual E, S, and G scores.</li> </ul> <p><b>PAI consideration</b></p> <p>The Investment Manager considers the principal adverse impacts (PAI) of the Sub-fund's investments on sustainability factors: (i) prior to and at the point of investment, by conducting (to the extent possible) due diligence on any proposed investments, with at a minimum the application of ESG exclusion policies; and (ii) on an ongoing basis by monitoring the investments against any applicable mandatory and additional PAI indicators.</p> <p>The climate and other environmental related PAI indicators considered by the Investment Manager in respect to all investee companies are:</p> <ul style="list-style-type: none"> <li>GHG emissions;</li> <li>carbon footprint;</li> <li>GHG intensity of investee companies;</li> <li>exposure to companies active in the fossil fuel sector;</li> <li>share of non-renewable energy consumption and production;</li> <li>energy consumption intensity per high impact climate sector;</li> <li>activities negatively affecting biodiversity-sensitive areas;</li> <li>emissions to water;</li> <li>hazardous waste ratio; and</li> <li>investments in companies without carbon emission reduction initiatives.</li> </ul> <p>The social and employee, respect for human rights, anti-corruption and anti-bribery related PAI indicators considered by the Investment Manager in respect to all investee companies are:</p> <ul style="list-style-type: none"> <li>violations of UNGC principles and OECD guidelines for multinational enterprise;</li> <li>lack of processes and companies mechanisms to monitor companies with UNGC principles and OECD guidelines for multinational enterprise;</li> <li>unadjusted gender pay gap;</li> <li>board gender diversity;</li> <li>exposure to controversial weapons; and</li> <li>lack of anti-corruption and anti-bribery policies.</li> </ul> <p>More information on how PAIs are considered during the reference period will be made available in the periodic reporting of the Sub-fund.</p>
<b>Data sources and processing</b>	In the website section 'Data sources and processing' referred to in Article 24, point (h), financial market participants shall describe all of the following:	
<b>Article 32 – SFDR L2</b>	<ul style="list-style-type: none"> <li>the data sources used to attain each of the environmental or social characteristics promoted by the financial product;</li> </ul>	The Investment Manager shall use data sourced from internal research and, where relevant from third-party ESG data providers (the Data Providers). Where third-party ESG data providers are utilised, the

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	<ul style="list-style-type: none"> <li>the measures taken to ensure data quality;</li> <li>how data are processed;</li> <li>the proportion of data that are estimated.</li> </ul>	Investment Manager selects the strongest data providers for ESG data for each category of information, rather than going for a simple 'one-stop-shop' solution. This ensures a diversified package of ESG data from multiple providers where coverage and quality are best in relation to the investment universe of the Sub-fund is available. The Investment Manager performs an annual review of the ESG data suite and of alternative/new available products on the market to ensure that the Investment Manager continues to have the best available quality of ESG data.
<b>Limitations to methodologies and data</b>	In the website section 'Limitations to methodologies and data' referred to in Article 24, point (i), financial market participants shall describe all of the following:	
<b>Article 33 – SFDR L2</b>	<ul style="list-style-type: none"> <li>any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h);</li> </ul>	The methodology and data used may be incomplete, inaccurate, stale, or unavailable (i.e., due to the data lag and/or coverage), which can result in the incorrect asset evaluation or in an unnecessary limitation to the investment strategy. Risk linked to third party providers shall be mitigated through additional internal research and assessments. Where limitations are identified, mitigations and remediation activities shall be put in place and be constantly monitored. Where mitigation and remediation actions are not sufficient to integrate and/or remediate to the limitations identified in the data or methodology the investment shall be kept on hold or avoided until reasonable assurance and further information is obtained through additional research.
	<ul style="list-style-type: none"> <li>how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.</li> </ul>	Based on the details above, there is no material effect on the attainment of the environmental or social characteristics promoted by the Sub-fund.
<b>Due Diligence</b>	In the website section 'Due diligence' referred to in Article 24, point (j), financial market participants shall describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.	In order to qualify for initial investment, the investments must comply with the binding elements applied by the Sub-fund. This compliance has to be ensured by the Investment Manager through pre-trade compliance mechanism in place.
<b>Article 34 – SFDR L2</b>		
<b>Engagement policies</b>	In the website section 'Engagement policies' referred to in Article 24, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.	The Investment Manager holds an ongoing dialogue with investee companies. This is typically done in the form of calls and meetings with management, following publication of banks' periodic results or upon presentation of their industrial plans. This direct engagement also spans ESG-relevant themes (e.g. ESG disclosures; climate transition plans; net zero targets). The Investment Manager also actively participates in several investor collective engagement initiatives (such as the Non-Disclosure Campaign led by the Carbon Disclosure Project (CDP)) and may engage with investee companies as part of these initiatives.
<b>Article 35 – SFDR L2</b>		
<b>Designated reference benchmark – Optional</b>	In the website section 'Designated reference benchmark' referred to in Article 24, point (l), financial market participants shall describe whether an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product, and how that index is aligned with the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated.	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.
<b>Article 36 – SFDR L2</b>		