

LUX IM – ESG BLACKROCK GLOBAL CONSERVATIVE OPPORTUNITIES

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

Preamble

LUX IM – ESG BLACKROCK GLOBAL CONSERVATIVE OPPORTUNITIES (“the Sub-fund”) invests in other UCITS and/or UCI, including exchange traded funds (“ETFs”) and other index funds (together “Target Funds”) that contribute to the Sub-fund’s promoted environmental and social characteristics, and thus adhere to binding ESG criteria.

For instance, the Sub-fund will invest in Target Funds that optimise exposures to reach a higher ESG rating, reduce the level of carbon emissions screen out certain sector or companies that have been deemed controversial or have not a sustainable profile.

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 51% of its net assets to investments that are aligned to the promoted environmental and social characteristics, being Target Funds qualified under Article 8 or Article 9 of SFDR.

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
Summary Article 25 – SFDR II	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 https://www.bgfml.lu/site/en/home/sustainable.html
	<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>	
No sustainable investment objective Article 26 – SFDR L2	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"> 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; 	
	<ul style="list-style-type: none"> 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. 	
Environmental or social characteristics	In the website section ‘Environmental or social characteristics of the financial product’ referred to in Article 24, point (c), financial market	The Sub-fund invests in other UCITS and/or UCI, including exchange traded funds (“ETFs”) and other index funds (together “Target Funds”) that contribute to the Sub-fund’s promoted environmental and social characteristics, and thus adhere to binding ESG criteria.

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<p>of the financial product</p> <p>Article 27 – SFDR L2</p>	<p>participants shall describe the environmental or social characteristics that the financial products promote.</p>	<p>For instance, the Sub-fund will invest in Target Funds that optimise exposures to reach a higher ESG rating, reduce the level of carbon emissions screen out certain sector or companies that have been deemed controversial or have not a sustainable profile.</p>
<p>Investment strategy</p> <p>Article 28 – SFDR L2</p>	<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"> the investment strategy used to meet the environmental or social characteristics promoted by the financial product; 	<p>The primary investment objective of the Sub-fund is to provide a combination of capital growth and income over the long term through a strategic exposure to multiple asset classes, being mainly equities, fixed income, listed property and commodities, that, through diversification, is expected to generate growth whilst maintaining a defensive risk profile. For general indication purposes, the Sub-fund will seek to be positioned such that the Sub-fund’s ex ante annualized volatility over a 3-year period ranges between 3.00% and 6.00%. However, the Subfund may experience lower/higher realized level of volatility depending on market conditions. There can be no guarantee that the Sub-fund will attain a moderate level of risk at all times, especially during periods of unusually high or low volatility in the equity and fixed income markets In order to achieve its investment objective, the portfolio asset allocation will be dynamically adjusted to take advantage of market opportunities, manage market risks and incorporate alpha-seeking investment solutions, with the aim to provide additional diversified return streams. The investment approach combines quantitative techniques (such as optimisation techniques) and fundamental analysis with the aim to align the Sub-fund’s portfolio to its volatility range as described above.</p> <p>The multi asset allocation will be obtained essentially through investments Target Funds in compliance with provisions set out in Art. 41(1) of the UCI Law and CSSF Circular 14/592 and financial derivative instruments (“FDIs”).</p> <p>The Target Funds’ selection is based on the Investment Manager’s assessment of the investment process applied therein with the aim to ensure the integration of the following binding elements.</p> <p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <ul style="list-style-type: none"> Negative screening: The Target Funds’ selection is based on the assessment of the investment process applied therein with the aim to ensure, for Target Funds qualified under Article 8 or Article 9 of SFDR, the application of binding minimum exclusion criteria. Positive screening: The Investment Manager’s Target Funds selection will mainly focus on Target Funds qualified as Article 8 or Article 9 under SFDR..
	<ul style="list-style-type: none"> 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. 	<p>Good governance practices are assessed for each Target Fund during the investment due diligence as well as when the Target Funds’ investments will be held by the Sub-fund with respect to the Target Fund manager’s process with respect to good governance practices and the respective disclosures made.</p>

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		<p>The assessment considers inter alia general governance considerations, compliance with social and labour standards, tax considerations and compensation schemes are assessed.</p>
<p>Proportion of investments</p> <p>Article 29 – SFDR L2</p>	<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 51% of its net assets to investments that are aligned to the promoted environmental and social characteristics, being Target Funds qualified under Article 8 or Article 9 of SFDR.</p> <div> <div>Investments</div> <div> <div>#1 Aligned with E/S characteristics Min 51%</div> <div>#2 Other</div> </div> </div> <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 be invested in: (i) ancillary cash for liquidity management within the limits prescribed by applicable laws; (ii) accessory investments in financial derivative instruments used for hedging and/or investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) investments in Target Funds which are not aligned with the promoted environmental or social characteristics and may be used within the Sub-fund’s investment objective. No specific minimum environmental or social safeguards are applied for these investments.</p>
<p>Monitoring of environmental or social characteristics</p> <p>Article 30 – SFDR L2</p>	<p>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>	<p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <p>Negative Screening</p> <p>The Target Funds’ selection is based on the assessment of the investment process applied therein with the aim to ensure, for Target Funds qualified under Article 8 or Article 9 of SFDR, the application of binding minimum exclusion criteria, such as but not limited to the exclusion of target issuers which are involved in severe controversies according to the United Nations Global Compact; are involved in specific activities (according to specific thresholds applied to the revenues deriving from such activities), e.g. controversial and nuclear weapons; conventional weapons; coal; tobacco.</p>

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		<p>Positive Screening</p> <p>The Investment Manager's Target Funds selection will mainly focus on Target Funds qualified as Article 8 or Article 9 under SFDR, such as:</p> <ul style="list-style-type: none"> (i) ETFs on major ESG and/or Sustainable and Responsible Investment ("SRI") indices, designed to ensure the binding inclusion of the best-in-class companies from an ESG and SRI perspective. (ii) UCITS and/or UCI which adhere to binding ESG criteria and incorporate them in their investment decisions through a systematic process (based on, but not limited to, ESG research, screening, ratings, provided by external data providers and/or internal research, and/or on exclusion policies) with the aim to select issuers with strong ESG practices; (iii) UCITS and/or UCI, including ETFs, whose investment strategies target specific themes related to ESG factors (such as but not limited to climate change, green bonds, circular economy, sustainable energy, future of mobility, healthy living and robotics) aiming to select the issuers that most benefit from them.
<p>Methodologies for environmental or social characteristics</p> <p>Article 31 – SFDR L2</p>	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>In order to attain the promoted environmental and social characteristics, the eligibility of target investments is assessed based on the above-described negative screening and positive screening procedures (see 'Monitoring of the sustainable investment objective').</p> <p>Internal controls are in place in respect of investment decision making for the Sub-fund. These include, but are not limited to, pre-trade and post-trade controls to ensure all applicable binding elements are observed at all times, and independent oversight by risk management functions as required.</p>
<p>Data sources and processing</p> <p>Article 32 – SFDR L2</p>	<p>In the website section 'Data sources and processing' referred to in Article 24, point (h), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> ▪ the data sources used to attain each of the environmental or social characteristics promoted by the financial product; ▪ the measures taken to ensure data quality; ▪ how data are processed; 	<p>The data sources used by the Investment Manager refer essentially to the official pre-contractual documentation of the Target Funds and to the information provided within the assessment of the investment process applied therein, which enable to assess their qualification under Article 8 or Article 9 of SFDR and binding minimum exclusion criteria.</p> <p>Taking into account the nature of such data sources, being essentially official pre-contractual documentation and information provided within the due diligence performed on the Target Funds, data quality is ensured at all times, data quality is ensured at all times.</p> <p>Data mentioned above about the Target Funds is processed in order to ensure that the Sub-fund is compliant with the applicable binding elements.</p>

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	<ul style="list-style-type: none"> the proportion of data that are estimated. 	Taking into account the nature of such data sources, being essentially official pre-contractual documentation and information provided within the due diligence performed on the Target Funds, data is no subject to estimation. Target Funds could use estimate data for a minor extent taking into consideration the nature of their investment universe.
Limitations to methodologies and data	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:	
Article 33 – SFDR L2	<ul style="list-style-type: none"> any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h); 	Considering the above detailed investment methodology as well as the data sources, the limitations to the attainment of the promoted environmental and social characteristics, are deemed non-material, as the investment universe of the Sub-fund provides an appropriate level of disclosure and coverage of required information by the Investment Manager to allow for the application of the investment methodology.
	<ul style="list-style-type: none"> how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met. 	Based on the details above, there is no material effect on the attainment of the environmental or social characteristics promoted by the Sub-fund.
Due Diligence	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.
Engagement policies	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.	This section is not applicable, as the Sub-fund is not deploying an ESG engagement strategy for the attainment of the promoted environmental or social characteristics.
Designated reference benchmark – Optional	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.
Article 36 – SFDR L2		