

**LUX IM – ESG FIDELITY CIRCULAR ECONOMY**

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 FIDELITY CIRCULAR ECONOMY** (“the Sub-fund”) invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics, such as companies involved in the research, development, manufacture and distribution of products and services which contribute to foster the circular economy, across various categories: (i) regenerative supplies (i.e. providers of alternative energy, recyclable input material, etc...); (ii) extension of product life (i.e. providers and/or users of repairing, upgrading and reselling products and components, sustainable packaging etc...); (iii) collection and recycling (i.e. waste management, recycling etc...); (iv) sharing ownership (i.e. providers and/or users of shared products and services, digital platforms etc...). As a consequence, the asset allocation of the Sub-fund will follow a thematic environmental approach backed by global drivers such as population growth, higher wealth and consumption, regulation and healthcare needs, resource scarcity, and climate change.

The Sub-fund further intends to invest in issuers that qualify as sustainable investment in accordance with Article 2 (17) of Regulation (EU) 2019/2088 (“SFDR”).

The Sub-fund is 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.

At least 70% of the financial product’s assets are planned to be ESG aligned, 35% of the financial product’s assets will qualify as sustainable in accordance with article 2 (17) of the 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
<b>Summary</b>  <b>Article 25 – SFDR II</b>	<p>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.</p> <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>	<p>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>
<b>No sustainable investment objective</b>  <b>Article 26 – SFDR L2</b>	<p>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.”</p> <p>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:</p>	<p>This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.</p> <p>Sustainable investments are determined as follows:</p> <p>(a) investments in issuers that undertake economic activities that contribute to one or more of the environmental objectives set out in the EU Taxonomy and qualify as environmentally sustainable in accordance with EU Taxonomy; or</p> <p>(b) investments in issuers whereby the majority of their business activities (more than 50% of revenues) contribute to environmental or social objectives aligned with one or more of the United Nations Sustainable Development Goals (“SDGs”); or</p> <p>(c) investments in issuers which have set a decarbonisation target consistent with a 1.5 degree warming scenario or lower (verified by the Science Based Target Initiative or a Fidelity Proprietary Climate Rating) which would be considered to contribute to environmental objectives; provided they do no significant harm, meet minimum safeguards and good governance criteria.</p> <p>The Sub-fund ensures that any sustainable investment does not significantly harm any environmental or social objective through a check that the target issuers meet minimum safeguards and standards that relate to Principal Adverse Impact (“PAI”) indicators (included in Annex 1 of the Commission Delegated Regulation (EU) 2022 / 1288), as follows:</p> <p>(i) Norms-based screening of the target issuers;</p> <p>(ii) Activity-based screening of the target issuers based on their participation in activities with significant negative impacts on society or the environment, including issuers that are considered to have a ‘Very Severe’ controversy using controversy screens, covering 1) environmental issues, 2) human rights and communities, 3) labour rights and supply chain, 4) customers, 5) governance; and</p>

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		(iii) PAI indicators: quantitative data (where available) on PAI indicators is used to evaluate whether an issuer is involved in activities that cause significant harm to any environmental or social objective.
	<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>	The Sub-Fund takes into account mandatory PAI indicators. The Investment Manager undertakes a quantitative evaluation to identify issuers with challenging performance on PAI indicators. Issuers with a low score will be ineligible to be 'sustainable investments' unless the Investment Manager's fundamental research determines that the issuer is not breaching "do no significant harm" requirements or is on the path to mitigate the adverse impacts through effective management or transition.
	<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>	Target issuers are assessed for their involvement in any doubtful activities in terms of international norms. Controversies in terms of environment, social, and governance are assessed as well as the target issuers' compliance with or violations of global norms in terms of e.g. bribery & corruption, child labour, discrimination, health & safety, forced labour. Norms-based screens are applied: issuers identified as failing to meet their fundamental responsibilities in the areas of human rights, labour, environmental and anti-corruption as aligned with international norms including those set out by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, UN Global Compact (UNGC), ILO Standards International Labour Organisation (ILO) Conventions, are not considered sustainable investments.
<b>Environmental or social characteristics of the financial product</b>  <b>Article 27 – SFDR L2</b>	In the website section 'Environmental or social characteristics of the financial product' referred to in Article 24, point (c), financial market participants shall describe the environmental or social characteristics that the financial products promotes.	The Sub-fund invests in securities of issuers that contribute to the Sub-fund's promoted environmental and social characteristics, such as companies involved in the research, development, manufacture and distribution of products and services which contribute to foster the circular economy, across various categories: (i) regenerative supplies (i.e. providers of alternative energy, recyclable input material, etc...); (ii) extension of product life (i.e. providers and/or users of repairing, upgrading and reselling products and components, sustainable packaging etc...); (iii) collection and recycling (i.e. waste management, recycling etc...); (iv) sharing ownership (i.e. providers and/or users of shared products and services, digital platforms etc...). As a consequence, the asset allocation of the Sub-fund will follow a thematic environmental approach backed by global drivers such as population growth, higher wealth and consumption, regulation and healthcare needs, resource scarcity, and climate change.
<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>	
		The investment objective of the Sub-fund is to provide capital growth over the long term through a diversified exposure to companies involved in the research, development, manufacture and distribution of products and services which contribute to foster the circular economy, across various categories: (i) regenerative supplies (i.e. providers of alternative energy, recyclable input material, etc...); (ii) extension of product life (i.e. providers and/or users of repairing, upgrading and reselling products and components, sustainable packaging etc...); (iii) collection and recycling (i.e. waste

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		<p>management, recycling etc...); (iv) sharing ownership (i.e. providers and/or users of shared products and services, digital platforms etc...). As a consequence, the asset allocation of the Sub-fund will follow a thematic environmental approach backed by global drivers such as population growth, higher wealth and consumption, regulation and healthcare needs, resource scarcity, and climate change. The ESG analysis of the target issuers relies on internal research activity complemented with external research and data from specialised external providers and encompasses negative screening, positive screening and assessment of the positive contribution to sustainable investments.</p> <p>Target investments are subject to the following sustainability indicators, in order to assess their eligibility for investment by the Sub-fund and thus to measure the attainment of the pursued environmental and social characteristics:</p> <ul style="list-style-type: none"> <li>▪ Negative screening: exclusion of target issuers involved in controversial conduct and/or activities;</li> <li>▪ Positive screening: investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund.</li> </ul>
	<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>Good governance practices are assessed for each target issuer during the investment due diligence process as well as when the target issuers' investments will be held by the Sub-fund. Processes with respect to general governance considerations, compliance with social and labour standards, tax considerations and compensation schemes are assessed.</p> <p>The governance practices of issuers are assessed using fundamental research, including Fidelity ESG ratings, data regarding controversies and UN Global Compact violations.</p> <p>Key points that are analysed include track record of capital allocation, financial transparency, related party transactions, board independence and size, executive pay, auditors and internal oversight, minority shareholder rights, among other indicators.</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 will invest at least 70% of its net assets in investments that are aligned to the promoted environmental and/or social characteristics. (# 1).</p> <p>The minimum proportion of sustainable investments is 35% (#1A), of which a minimum of 1% have an environmental objective (which is aligned with the EU Taxonomy), a minimum of 15% have an environmental objective (which is not aligned with the EU Taxonomy) and a minimum of 0% have a social objective.</p> <p>Where the security underlying a derivative has favourable ESG characteristics in accordance with Fidelity's Sustainable Investing Framework, the derivative may be included in determining the proportion of the portfolio dedicated to promotion of environmental or social characteristics. Concerning the investment in other UCITS and/or UCIs, including ETFs (the "target funds"), the target funds selection will focus on their qualification under Article 8 or Article 9 of SFDR and thus which adhere to binding ESG and sustainable investment criteria and incorporate them in their investment process.</p>

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		<div data-bbox="1774 254 2585 541"> <pre> graph LR     Investments --&gt; N1["#1 Aligned with E/S characteristics Min. 70%"]     Investments --&gt; N2["#2 Other"]     N1 --&gt; N1A["#1A Sustainable Min. 35%"]     N1 --&gt; N1B["#1B Other E/S characteristics"]     N1A --&gt; TA["Taxonomy-aligned"]     N1A --&gt; OE["Other environmental"]     N1A --&gt; S["Social"] </pre> </div> <p>#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.</p> <p>#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.</p> <p>The category #1 Aligned with E/S characteristics covers:</p> <ul style="list-style-type: none"> <li>- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.</li> <li>- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.</li> </ul> <p>To classify as sustainable investments, target issuers satisfy at least one of the below requirements:</p> <p>(a) undertake economic activities that contribute to one or more of the environmental objectives set out in the EU Taxonomy and qualify as environmentally sustainable in accordance with EU Taxonomy; or</p> <p>(b) the majority of their business activities (more than 50% of revenues) contribute to environmental or social objectives aligned with one or more of the United Nations Sustainable Development Goals (“SDGs”); or</p> <p>(c) have set a decarbonisation target consistent with a 1.5 degree warming scenario or lower (verified by the Science Based Target Initiative or a Fidelity Proprietary Climate Rating) which would be considered to contribute to environmental objectives; provided they do no significant harm, meet minimum safeguards and good governance criteria.</p> <p>A target issuer that satisfy at least one of the above criteria is considered as sustainable in its entirety.</p> <p>The remaining investments of the Sub-fund (“#2 Other”) may be invested in (i) ancillary cash and cash equivalents for liquidity purposes within the limits prescribed by applicable laws , (ii) derivatives which may be used for hedging and investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) securities of issuers that are able to demonstrate that they are on an improving trajectory with respect to their ESG characteristics, and may be used within the Sub-fund’s investment objective of capital growth over the long term.</p> <p>As a minimum environmental and social safeguards, all direct investments included under “#2 Other” are subject to the negative screening.</p>



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<b>Monitoring of environmental or social characteristics</b>  <b>Article 30 – SFDR L2</b>	<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><b>Negative Screening</b></p> <p>Exclusion of target issuers that:</p> <ul style="list-style-type: none"> <li>▪ are involved in severe controversies according to the United Nations Global Compact and/or which fail to meets their fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption as aligned with international norms including those as set out by the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations Guiding Principles or Business and Human Rights, and the Responsible Business Conduct and International Labor Organization (ILO) Conventions);</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>o controversial and nuclear weapons;</li> <li>o conventional weapons;</li> <li>o semi-automatic firearms;</li> <li>o adult entertainment;</li> <li>o coal;</li> <li>o tobacco;</li> <li>o gambling;</li> <li>o oil sands;</li> <li>o arctic oil and gas</li> </ul> </li> </ul> <p><b>Positive Screening</b></p> <p>Target issuers having complied with the negative screening are further assessed using ESG evaluation from external providers as well as through a proprietary rating system, the Fidelity Sustainability Ratings, on an A (the best score) to E (the worst score) scale on sector specific factors and a trajectory forecast based on an assessment of expected change of an issuer’s sustainability characteristics over time. The Sub-fund selects the most sustainable companies from an ESG perspective by (i) investing at least 70% of the Sub-fund’s net assets in equity securities issued by companies which contribute to foster the circular economy; (ii) selecting securities with the aim to include the companies with upside potential based on effective governance and superior management of ESG issues. For this purpose, the Sub-fund invests: (i) a minimum 70% of its net assets in issuers with favourable ESG characteristics, as per the above described ESG evaluations (further details on the methodology applied are set out at <a href="https://fidelityinternational.com/sustainable-investing-framework/">https://fidelityinternational.com/sustainable-investing-framework/</a> and may be updated from time to time); (ii) a minimum of 35% of its net assets in sustainable investments of which 1% have an environmental objective which is aligned with the EU Taxonomy, a minimum of 15% have an environmental objective (which is not aligned with the EU Taxonomy) and a minimum of 0% have a social objective.</p>

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		Concerning the investment in other UCITS and/or UCIs, including ETFs (the “target funds”), the target funds selection will focus on their qualification under Article 8 or Article 9 of SFDR and thus which adhere to binding ESG and sustainable investment criteria and incorporate them in their investment process.
<b>Methodologies for environmental or social characteristics</b>  <b>Article 31 – SFDR L2</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>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on the above-described negative screening, positive screening and consideration of principal adverse impacts (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>The Investment Manager of the Sub-fund is using internal research activity complemented with external research and data from specialised external providers.</p>
<b>Data sources and processing</b>  <b>Article 32 – SFDR L2</b>	<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"> <li>the data sources used to attain each of the environmental or social characteristics promoted by the financial product;</li> <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>	<p>The data sources used to attain the stated environmental and social characteristics is obtained from a combination of internal and external sources, including multiple recognised industry vendors.</p> <p>The ESG research process draws on a combination of quantitative and qualitative inputs. Having identified a set of material indicators for each subsector, they source data inputs that support a rigorous assessment of an issuer’s performance on that indicator. The process draws on</p> <ul style="list-style-type: none"> <li>&gt;60 environmental datapoints (such as GHG emissions, water intensity, hazardous waste)</li> <li>&gt;30 social datapoints (such as employee turnover, % female workforce, number of workplace injuries)</li> <li>&gt;40 governance datapoints (such as CEO/Employee pay ratio, % board independence, % females on board, etc)</li> </ul> <p>Each external data provider undergoes a thorough vetting process to ensure they offer appropriate levels of coverage and accuracy.</p> <p>These data inputs are overlaid with a qualitative, forward-looking assessment from the analyst, which leverages the corporate access and due diligence processes that form the foundation of Fidelity’s bottom-up investment research process. The output is an ESG rating and assessment for each issuer. This creates a valuable source of information for the portfolio management team to draw on when making investment decisions, and a structured and robust way of signalling ESG risks and opportunities within the portfolio and investment universe.</p>

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<b>Limitations to methodologies and data</b>  <b>Article 33 – SFDR L2</b>	<p>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:</p> <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> <li>how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.</li> </ul>	<p>As of today, no common industry framework has been established in order the assess or detect violation of sectoral exclusions or international norms such as the United Nations Global Compact. The lack of a harmonised methodology has led data providers to use different frameworks, which often implies subjectivity, resulting in different results. Integration of new information, revision of the current framework or harmonisation of the methodology between data providers are examples of operational events that can result in the reassessment of an issuer and could trigger an exclusion. Besides, it is expected that such exclusions may face a lag between the time of the event and the effective exclusion of the issuer by a fund. However, it is not expected that such operational constraints might result in a material deviation from a fund’s behavioural and sectoral exclusion methodologies.</p> <p>Based on the details above, there is no material effect on the attainment of the environmental or social characteristics promoted by the Sub-fund identified.</p>
<b>Due Diligence</b>  <b>Article 34 – SFDR L2</b>	<p>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.</p>	<p>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.</p>
<b>Engagement policies</b>  <b>Article 35 – SFDR L2</b>	<p>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.</p>	<p>Engaging with companies on environmental, social and governance issues reflects the Investment Manager’s belief that active ownership can contribute to the long-term sustainability of a company and positive investor returns. Engagements are undertaken for two reasons: to gain a deeper understanding of a company’s ESG practices to better inform investment decisions; and to use influence to improve the sustainability practices of the companies the Investment Manager invest in.</p>
<b>Designated reference benchmark – Optional</b>  <b>Article 36 – SFDR L2</b>	<p>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.</p>	<p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p>