

LUX IM – ESG PICTET GREEN CITIES

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 PICTET GREEN CITIES (“the Sub-fund”) invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics, through the investments in equity securities issued by companies that contribute and/or benefit from the global urbanisation trend by providing solutions to the challenges of the urbanisation and to the development of sustainable cities improving the quality of life of cities ‘inhabitants. The asset allocation of the Sub-fund will follow a thematic approach by focusing principally on companies active in the following areas: real estate, traditional and digital infrastructure, energy efficiency, waste management, mobility, transportation, housing and workspace solution.

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 90% of the financial product’s assets are planned to be ESG aligned, a minimum of 51% 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
<p>Summary</p> <p>Article 25 – SFDR II</p>	<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 https://www.bgfml.lu/site/en/home/sustainable.html</p>
<p>No sustainable investment objective</p> <p>Article 26 – SFDR L2</p>	<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> <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; 	<p>This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.</p> <p>The Sub-fund invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics, through the investments in equity securities issued by companies that contribute and/or benefit from the global urbanisation trend by providing solutions to the challenges of the urbanisation and to the development of sustainable cities improving the quality of life of cities ‘inhabitants. As a consequence, the Sub-fund mainly invests in securities financing economic activities that substantially contribute to environmental or social objectives, such as Taxonomy aligned (climate change mitigation or adaptation); other environmental (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution, prevention and control, or protection and restoration of biodiversity and ecosystems); social (inclusive and sustainable communities, adequate living standards and well-being for end users, or decent work). Sustainable investments include equities issued by companies with a significant proportion of activities (as measured by revenue, EBIT, enterprise value or similar metrics) derived from such economic activities.</p> <p>The Sub-fund considers and investment sustainable if it does no significantly harm to any environmental and/or social objective, which the investment team determines by using a combination of quantitative and qualitative assessment at issuer level. The assessments draw on both general and industry-relevant indicators, and include exposure to material sustainability risks. Periodic reviews and risk controls are in place to monitor implementation.</p> <p>The Sub-fund considers and, where possible, mitigates adverse impacts of its investments on environmental and social sustainability factors as per the indicators in Table 1 of Annex I of the SFDR through: (i) exclusion of issuers associated with</p>

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	<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. 	<p>controversial conduct and/or activities; (ii) portfolio management decisions or active ownership activities.</p> <p>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. human rights, labour rights, bribery & corruption, child labour, discrimination, health & safety, forced labour through exclusions of the issuers involved in such controversial conduct.</p>
<p>Environmental or social characteristics of the financial product</p> <p>Article 27 – SFDR L2</p>	<p>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.</p>	<p>The Sub-fund invests in securities of issuers that contribute to the Sub-fund's promoted environmental and social characteristics, through the investments in equity securities issued by companies that contribute and/or benefit from the global urbanisation trend by providing solutions to the challenges of the urbanisation and to the development of sustainable cities improving the quality of life of cities 'inhabitants'. The asset allocation of the Sub-fund will follow a thematic approach by focusing principally on companies active in the following areas: real estate, traditional and digital infrastructure, energy efficiency, waste management, mobility, transportation, housing and workspace solution.</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 Sub-fund aims to provide capital growth over the long term by investing in a diversified portfolio of equity securities of companies listed on major stock exchanges without any limitation in terms of geographic, currency and market capitalization. The selected equity securities are issued by companies that contribute and/or benefit from the global urbanisation trend by providing solutions to the challenges of the urbanisation and to the development of sustainable cities improving the quality of life of cities 'inhabitants'. As a consequence, the asset allocation of the Sub-fund will follow a thematic approach by focusing principally on companies active in the following areas: real estate, traditional and digital infrastructure, energy efficiency, waste management, mobility, transportation, housing and workspace solutions, aiming to achieve a sustainable investment objective being a positive environmental and social impact.</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"> Negative screening: exclusion of target issuers involved in controversial conduct and/or activities; Consideration of the ESG profile of the target issuers; Investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund.

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	<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 issuer during the investment due diligence process as well as when the target issuers' investments will be held by the Sub-fund. The Investment Manager duly assess: the composition of the executive team and board of directors, including the experience, diversity and distribution of roles; executive remuneration, including incentives and their alignment with investor interests; risk control and reporting, including auditor independence; shareholder rights and related-party transactions.</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 at least 90% of its net assets in investments aligned with the environmental/social characteristics. The Sub-fund commits to make a minimum proportion of sustainable investments of 51% of its net assets; including at least 15% in investments with an environmental objective and a social objective, respectively. The Sub-fund commits to a minimum 1% of its net assets to be invested in sustainable investments with an environmental objective aligned with the EU Taxonomy. The Sub-fund does not use derivatives to attain its environmental or social characteristics.</p> <div data-bbox="1745 814 2591 1123" data-label="Diagram"> <pre> graph LR Investments[Investments] --> N1["#1 Aligned with E/S characteristics Min 90%"] Investments --> N2["#2 Other"] N1 --> N1A["#1A Sustainable Min. 51%"] N1 --> N1B["#1B Other E/S characteristics"] N1A --> TA[Taxonomy-aligned] N1A --> OE[Other environmental] N1A --> S[Social] </pre> </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><i>The category #1 Aligned with E/S characteristics covers:</i></p> <ul style="list-style-type: none"> <i>The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.</i> <i>The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.</i> <p>To classify as sustainable investments, target issuers must derive a significant proportion of revenues, earnings before interest and tax (“EBIT”), enterprise value or similar metrics from economic activities that contribute to environmental or social objectives such as, but not limited to real estate, traditional and digital infrastructure, energy efficiency, waste management, mobility, transportation, housing and workspace solutions, providing solutions to the challenges of the urbanisation and to the development of sustainable cities improving the quality of life of cities’ inhabitants. A target issuer that has such significant exposure, in terms of revenues, EBIT,</p>

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		<p>enterprise value or similar metrics as described above, is considered as sustainable in its entirety.</p> <p>The remaining investments of the Sub-fund (“#2 Other”) may include (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) investments in securities of target issuers which are not aligned with the promoted environmental or social characteristics and may be used within the Sub-fund’s investment objective of long term capital growth. Minimum safeguards are integrated through negative screening applied to all direct investments in securities.</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> <ul style="list-style-type: none"> ▪ 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): <ul style="list-style-type: none"> ○ controversial and nuclear weapons; ○ conventional weapons; ○ adult entertainment; ○ coal; ○ tobacco; ○ gambling. <p>Positive Screening</p> <p>Target issuers having complied with the negative screening are further assessed in order to:</p> <ul style="list-style-type: none"> ▪ invest at least 51% of the Sub-fund’ net assets in sustainable investments (i.e. investment in companies that derive a significant proportion of revenues, earnings before interest and tax (“EBIT”), enterprise value or similar metrics from economic activities that contribute to environmental or social objectives such as, but not limited to energy transition, circular economy, energy efficiency, water quality and supply, sustainable forestry and cities, nutrition, human health and therapeutics); ▪ achieve a better ESG profile than the investment universe of the Sub-fund, as measured by various sources, such as proprietary fundamental analysis, ESG research providers, third party analyses etc.
<p>Methodologies for environmental or social characteristics</p>	<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>	<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</p>

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Article 31 – SFDR L2		<p>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>
Data sources and processing Article 32 – SFDR L2	<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; ▪ the proportion of data that are estimated. 	<p>The investment manager of the Sub-fund is using internal research activity complemented with external research and data from specialised external providers.</p> <p>In order to ensure data quality, the Investment Manager uses multiple data sources; regularly reviews data providers’ business model, research process, expertise, data coverage, quality assurance mechanism and prevention of conflicts of interests.</p> <p>Once data is integrated into the Investment Manager’s systems, the Investment Manager conduct quality controls on an ongoing basis to detect and address issues that negatively affect data usage.</p> <p>The data is used in order to implement the Negative Screening and Positive Screening mentioned above.</p> <p>The proportion of estimated data varies between research providers and geographies.</p>
Limitations to methodologies and data Article 33 – SFDR L2	<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"> ▪ any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h); ▪ how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met. 	<p>Key limitations to applied methodologies may include a lack of data coverage and/or quality.</p> <p>To overcome these issues, methodologies are informed by reliable sources gathered from diverse reputable third-party research providers that are experts in their areas. In addition, the Investment Manager retains the right to deviate from third-party information on a case-by-case basis in instances where it is deemed incorrect or incomplete.</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>
Due Diligence Article 34 – SFDR L2	<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>
Engagement policies Article 35 – SFDR L2	<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>Interaction with issuers take the form of one-to-one discussions, shareholder/bondholder meetings, investor roadshows and/or conference calls. The objectives of these interactions are to assess an organisation before investment, monitor that their strategy is being implemented in line with expectations and ensure that issuers are on track to meet their goals and objectives.</p>

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		Where appropriate, the Investment Manager engages issuers on material ESG issues, including controversies, to satisfy that they fully understand and address them effectively over the short, medium and long term. The engagement activities include a combination of targeted in-house-led discussions, collaborative institutional investor initiatives, and third-party engagement services.
Designated reference benchmark – Optional Article 36 – SFDR L2	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.