Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR")

March 2021

Introduction

The European Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector, the so-called Sustainable Finance Disclosure Regulation (SFDR), require financial market participants and financial advisors in the EU, to disclose on the integration of sustainability risks and the consideration of adverse sustainability impacts in our processes.

SFDR is an important milestone in the EU Commission's action plan on sustainable finance. This regulation aims to provide greater transparency on the degree of sustainability of financial products in order to channel investment flows towards truly sustainable investments while preventing greenwashing.

The cornerstone of the SFDR is the principle of double materiality: financial as well as sustainability, making it easier for end-investors to understand how ESG and sustainability factors are considered and integrated into their investments.

A responsible and sustainable investment framework and solid processes are essential on the journey towards sound investing. Our end-goal is to have our portfolio management services ESG-informed, adhering to a strong integration process and stewardship code.

Responsible investment practices are constantly developing and evolving. New risks may arise, public opinion may change and new market standards may be introduced. Our sustainable investment framework will, as such, be reviewed and, if necessary, adjusted on a recurring basis to incorporate these changes.

Fredrik Skoglund, Chief Investment Officer at BIL : "It is our belief that responsible investment is simply the right way to go, making the world more resilient, without sacrificing financial returns."

Alessandra Simonelli, Head of Sustainable Development at BIL : "At BIL, we believe that sustainable and responsible investment is not hype, it's a prerequisite for the future."

The BIL Manage Invest policy on the integration of sustainability risks in its investment decision-making process

BIL Manage Invest SA ("BMI") has implemented a policy in respect of the integration of sustainability risks in its investment decision-making process. The AIFM takes into consideration sustainability risks when taking investment decisions.

Separately, BMI has integrated sustainability risks in its risk management process.

Sustainability risk means an environmental, social, or governance event or condition, that, if it occurs, could cause a material negative impact on the value of an investment and/ or financial return from an invested asset. Sustainability risk can either represent a risk of their own or have an impact on other risks and may contribute significantly to the latter risks, such as market risks, operational risks, liquidity risks or counterparty risks.

BMI is required to publish on its website information about its policy on the integration of sustainability risks into its research, due diligence, analysis and its investment decision-making process. For our Private Equity fund (HLD Europe, Invest Santé, Invest Kapla), BMI considers sustainability risks on an investment-by-investment basis.

Sustainable investing is an integral part of BMI's Investment strategy and processes. Our sustainable and responsible investment policy ensures a SRI portfolio construction in three ways: exclusion, integration and engagement.

I. Exclusion policy

In order to minimize ESG related risks arising from exposure to certain sectors or activities that run a high reputational risk and unsustainable business models, BMI portfolio management services will use an exclusion list targeting individual companies (and their respective bonds and equities) countries (sovereign debt). Excluded companies are defined as companies presenting unacceptable harm to our society and where engagement make little sense (ineffective). Revisiting exclusion criteria in accordance to societal trends and priorities is part of our engagement. To avoid misunderstanding, this exclusion list only applies to the selection and analysis of direct investment in securities, constituents of ESG covered universe. Specifically, the use of external service providers could translate in non-eligible activities or norms being part of recommended instruments or constituents of invested portfolios. When it comes to investment or recommendation of UCIs, there is no look through analysis perform to check if UCIs are meeting BIL's exclusion policy/list. Such UCIs may or may not have their own exclusion policy and if they do, it could differ from ours.

The following Potential investments may be excluded :

- When the companies are involved in the business of controversial weapons because of their indiscriminate effects and the disproportionate harm they cause (anti-personnel mines, cluster weapons, depleted uranium, nuclear weapons, white phosphorus and biological & chemical weapons).

- When the companies generate more than 10% of revenue from thermal coal extraction.

- When the companies generate more than 10% of revenue from oil sands extraction.

- When the companies have been identified as non-compliant to the UN Global Compact Principles, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions.

In any case, BMI will not, directly or on behalf of their funds under management, knowingly conduct business with or invest in clients whose primary business activity (i.e. own, manage or operate) is linked to below industries or services:

- Nuclear products for military use;
- Cluster munitions or explosive submunitions and/or arms are for use in terrorism;
- Human trafficking;
- Pornography;
- Narcotics (except therapeutic/medicinal purposes);
- Sectarian organizations;
- Cryptocurrency exchange platforms (for they own clients) without license from the regulator (i.e. CSSF for Luxembourg);
- Foreign political parties and foreign unions.

In addition, BMI deems investing in government bonds (federal & local) of countries where a collapse of the governance structure take place as unsustainable. In addition, BMI follow applicable sanctions of the UN, EU or the Office of Foreign Assets Control (OFAC) to which it is subject and follows any mandatory restrictions deriving therefrom. Revisiting exclusion criteria in accordance to innovation and societal trends will be an integral part of our engagement in order to shape a better future.

Further information on the exclusion list applicable for BIL Invest SICAV and Private one is available on:

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The exclusion policy is applied based on available information. The exclusion-list is prepared using information from external data providers on periodic review, and although a qualitative review is performed, BMI could not be responsible for the accuracy of this data.

The exclusion list is also implemented taking into account our investors' best interests, with a transition period following the initial implementation and following periodic revisions of the exclusion lists. If the application of this standard triggers divestments, portfolio managers shall disinvest within this transition period taking into account the portfolio impacts based on market conditions, liquidity and portfolio construction constraints.

II. Integration Environmental, Social, and Governance (ESG)

We fully acknowledge that environmental, social and governance issues have an impact on the financial outlook of a company and therefore its value. ESG factors represent important information to assess investment risks and opportunities. We are convinced that integrating environmental, social and governance factors results in better-informed investment decisions which could result in higher risk-adjusted returns. For us, the consistent fundamental analysis of environmental, social and governance issues is a key ingredient that enables us to adjust forecasts about significant security price drivers. This helps us to identify additional sources of risk and opportunity. Only ESG factors deemed financially material are included in the ESG assessment in accordance to a materiality and risk calibration Access to sustainability information is crucial. All our analysts and fund managers have access to ESG data and are provided with ESG training where required.

There is not a single exhaustive list of ESG factors. Those are often interlinked, and it can be challenging to classify an ESG issue as only an environmental, social, or governance issue.

On a broad and generic basis ESG factors are split as such:

- ✓ **Environmental considerations** related to the conservation of the natural world: carbon emission, energy efficiency, waste management, pollution, biodiversity, water scarcity, …
- ✓ **Social considerations** related to the consideration of people, relationships and social cohesion: labor standards, relations with workforce and the community, gender & diversity, education, child care, …
- ✓ **Governance considerations** related for best-practices and standards for running a company: board composition and independence, management and audit structure, remuneration, compliance policy related to bribery & corruption, whistleblower schemes, fiscal practices, ...

Further information on the Integration ESG applicable for BIL Invest SICAV and Private One is available on:

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The following sub-funds promotes environmental, social and governance characteristics and classify under Article 8 of Regulation (EU) 2019/2088 : BIL Invest Patrimonial Defensive, BIL Invest Patrimonial Low, BIL Invest Patrimonial Medium, BIL Invest Patrimonial High.

As from 10 March 2021, those sub-funds integrate sustainability factors in its investment by considering an eligible universe of the sub-funds, including UCIs that comply with Article 8 or Article 9 of Regulation (EU) 2019/2088 and having a minimum required ESG score based on internal methodology. The selection is supplemented by the review of exclusion and inclusion criteria applied by the underlings UCIs.

For CACIK Fund, BMI takes into account the following in investment analysis and decision-making processes:

- In the pre-investment phase: BMI performs an environmental due diligence with a particular focus on the contamination risks on the land.
- Environmental management practices and duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices are always considered.
- Particular focus is made from an anti-bribery and corruption perspective

III. Engagement

Our first and foremost engagement is to embrace research and education on sustainable finance, in pursuit of continuous improvement in understanding the full-range of opportunities available to our clients, our investment strategies, our instruments selection and more broadly our business models in this field.

Over the past years, BIL has been very active in promoting awareness, acceptance and implementation of the ESG principles within its community of investment professionals. At a later stage, BIL's greater ambition is to publicize our engagement priorities and corporate stewardship beliefs. This will include the publication of an annual review detailing our voting activity and engagement.

The appropriate approach is not the same for all investors. There is no one-size-fits-all set of beliefs. Specific forms of ESG investing can be requested for particular preferences, beliefs and circumstances. As with any form of investing, investors must establish their own personal goals and weigh the potential benefits of the various approaches against any risks and costs in order to give themselves the best chance of achieving their desired outcome.

We are aware that some of the goals we have set ourselves are necessarily aspirational.

As of today, we do not engage with investee companies on sustainability-related matters.

Further information on the Engagement policy for BIL Invest SICAV and Private One is available on:

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Principal adverse impacts

For the investment funds investing in financial products (except BIL Invest and Private One), BMI does not currently consider principal adverse impacts of investment decisions on sustainability factors due to the lack of available and reliable data. Should this change in the future, the disclosures on the website of the AIFM will be updated accordingly.

For the financial products (BIL Invest, Private One SICAV SIF (except "Flexcap"), BIL considers the principal adverse impacts of investment decisions on sustainability factors and has put in place due diligence policies with respect to those impacts.

BIL approaches the principal adverse impacts of investee companies on sustainability through the integration of ESG scoring when forming investment cases and following up of investment decisions. ESG integration is explicitly part of BIL investment decision-making processes and controls. The BIL sustainable and responsible framework is built on BIL values (create, care and collaborate). It seeks to ensure that the investment products and services provided to our customers do not result in an unacceptable, adverse impact on people or the environment, while helping them understand and manage their environmental and social impact.

The identification of principal adverse sustainability impacts is embedded in the ESG scoring methodology. Actions taken to address principal adverse sustainability impacts are specific to each and every investment product delivers to clients.

For all funds and mandates with an ESG approach (Article 9 or Article 8 of SFDR), BIL defines ESG characteristics which must be followed.

Further information on the consideration of the Principal adverse impacts for BIL Invest SICAV and Private one is available on:

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For the financial products (CACIK fund), BMI considers the principal adverse impacts of investment decisions on sustainability factors and has put in place due diligence policies with respect to those impacts. The following indicators are taken into account:

- Exposure to fossil fuels through real estate assets,
- Exposure to energy-inefficient real estate assets,
- GHG emissions.

Adherence to international standards

Corporate social responsibility is at the core of BIL's identity. BIL is currently adhering to a number of responsible business conduct codes and standards, for instance; the International Capital Market Association Charter, the workplace and sexual harassment charter, the Inspiring More Sustainability Luxembourg and its diversity charter. Our sustainability roadmap includes the ambition to diagnostic and adhere to a selected number of international collaborative statements, dialogues and networks that focus on advancing the practice of responsible investment and sustainable development.

Remuneration policy

Foster environment, social and corporate governance (ESG)

In the short term, ESG considerations will be embedded throughout the organization and all employees will be sensitized and encouraged to uphold BIL's sustainability initiatives.

In particular, the appropriate ESG criteria and metrics will be linked to the remuneration framework of some Identified Staff and Relevant Persons.

The remuneration charter may be adapted, as necessary, as the ESG universe evolves towards a more detailed approach.

BMI policies

All other relevant information required by SFDR shall be made available to shareholders in due time by means of disclosures on the BMI's website.