

## Sustainability preferences for your investment profile

April 2026

### Introduction / Regulatory context

Since August 2<sup>nd</sup> 2022, new obligations of Commission Delegated Regulation 2021/1253 apply and credit institutions are required to obtain specific information on their customers' sustainability preferences.

In this context, in addition to your knowledge and experience of financial instruments, your financial situation (incl. your ability to bear losses), your investment horizon and objectives (incl. your risk tolerance), you can express your sustainability preferences through a new MiFID questionnaire by answering dedicated questions. Collecting your preferences allows Delen Private Bank to act in your best interests by recommending services and products that are suitable for you. Delen Private Bank takes your sustainability preferences into account in its discretionary portfolio management or investment advisory services.

This complies with the EU's transition to climate neutrality.

### Your sustainability preferences

The purpose of this document is to help you understand the challenges of sustainable finance and the related key concepts in order to allow you to express, by answering some questions, your sustainability preferences according to different concepts, in an objective and informed manner. Your answers will allow Delen Private Bank to ensure that the recommended products are suitable for you and match your preferences.

By completing the MiFID questionnaire, you will first be invited to express your **general sustainability preferences** by indicating whether:

- You wish to express any sustainable preferences in relation to your investments;
- You do not wish to take any sustainability-related criteria into account.

Then, in accordance with our portfolio-based approach, you will be invited to express your **specific sustainability preferences** by indicating to which extent financial instruments may be integrated into your portfolio, based on 3 sustainable approaches:

- Alignment with the EU Taxonomy Regulation;
- Alignment with the EU Sustainable Finance Disclosure Regulation;
- Consideration of Principal Adverse Impacts.

These 3 concepts constitute the EU legislation on sustainable finance.

Your answers on these 3 concepts shall reflect your "sustainability preferences". You will find more information about these concepts and technical terms in the following sections. The definitions relating to sustainability preferences are provided for information purposes only and do not have a promotional nature.

The more stringent your sustainability preferences are, the more restricted your portfolio may be. Under a discretionary portfolio management or investment advice mandate, the integration of such criteria could thus limit your investment universe and lead to the exclusion of certain sectors. Please note that you can change your sustainability preferences at any time through your relationship manager.

Your sustainability preferences are taken into account as an additional element alongside your other investment objectives that you have already expressed by completing the MiFID questionnaire. Your sustainability preferences shall not affect your financial investment objectives.

## A sustainable approach according to the EU Taxonomy Regulation

The **EU Taxonomy Regulation**<sup>1</sup> establishes a classification system to determine whether an economic activity qualifies as “environmentally sustainable”. This regulation is designed to promote the ecological transition and aims to achieve this by increasing transparency in the market and preventing greenwashing. For an economic activity to be classified as “environmentally sustainable”, the following conditions must be met:

- The economic activity **must substantially contribute to at least one of the six environmental objectives**:
  1. Climate change mitigation,
  2. Climate change adaptation,
  3. Sustainable use and protection of water and marine resources,
  4. Transition to a circular economy,
  5. Pollution prevention and control,
  6. Protection and restoration of biodiversity and ecosystems;
- The economic activity **cannot cause any significant harm to any of the other five environmental objectives** (principle of “do not significant harm” or “DNSH”) as defined by the regulation;
- The economic activity must be carried out in **alignment with the minimum social safeguards** as laid out in the OECD<sup>2</sup> Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights.

This regulation focuses heavily on an *ecological aspect*.

By defining a minimum proportion of environmentally sustainable investment, as defined by the EU Taxonomy Regulation, you ensure that a certain percentage (or range) is dedicated to investments involving companies or projects that contribute positively to the preservation of natural resources and that respect human and social rights.

Please note that the regulatory landscape in the ESG field is constantly evolving. Changes are still expected in the coming years. In the meantime, financial market participants are pursuing their

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<sup>1</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020

<sup>2</sup> Organization for Economic Co-operation and Development

efforts in terms of transparency and integration of sustainability factors, but several challenges arise, for instance:

- Not all economic activities are covered by the EU Taxonomy Regulation and its delegated acts. Only those that were deemed more likely to have the highest impact on environmental objectives have been mentioned so far. However, the number of eligible economic activities is expected to expand as new sectors are added.
- Many companies are not yet subject to the EU Taxonomy-related reporting obligation and do not yet disclose certain key performance indicators, which creates significant data gaps and collection challenges.

## A sustainable approach according to the SFDR

The Sustainable Finance Disclosure Regulation<sup>3</sup> (**SFDR**) strengthens transparency obligations and requires financial market participants to disclose clear and standardized information on the sustainability of financial products. SFDR defines what a "sustainable investment" is and aims to allow investors to compare financial products based on ESG criteria (environmental, social and governance) in their investment decisions.

SFDR introduces a framework for classifying financial products into three main categories: "Article 6, 8 and 9" products. "Article 9" products are those that have a defined sustainable investment objective; "Article 8" products are those that promote certain environmental and/or social characteristics; and "Article 6" products are those that do not have a sustainable investment objective and do not take ESG criteria into account, i.e. those that are neither considered as "Article 8" nor "Article 9" products.

SFDR defines sustainable investment as an investment in an economic activity that:

- 1) Contributes to an **environmental or social objective**;
- 2) Does not cause **significant harm to environmental or social objectives**; and
- 3) Apply **good governance practices**.

SFDR and the EU Taxonomy provide complimentary but distinct definition of "sustainable investment", with SFDR offering a broader scope that includes *social objectives*, while the EU Taxonomy focuses specifically on *environmental sustainability*.

By setting a minimum proportion of sustainable investments, as defined by SFDR, you ensure that a specified percentage of your portfolio is dedicated to investments that are aligned with ESG characteristics, and more specifically to an economic activity that contributes to environmental (e.g. efficient use of renewable energy) or social (e.g. fight against inequality) objectives.

## Consideration of Principal Adverse Impacts

Principal Adverse Impacts (PAIs) are negative impacts that investment decisions may have on sustainability factors (ESG). PAIs are defined under the SFDR-RTS<sup>4</sup>.

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<sup>3</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019

<sup>4</sup> Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council ("SFDR-RTS")

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The SFDR-RTS defines 18 mandatory and<sup>5</sup> 46 additional PAI indicators<sup>6</sup>, classified by investment category. These indicators are detailed in three tables in the Annex I of the SFDR-RTS.

Delen Private Bank takes into account the mandatory PAIs applicable in its investment process. Delen Private Bank measures and monitors the calculation of the indicators providing entity-level analysis and subject to the constraints of data availability and reliability as sourced from third-party data providers. These indicators are used at the level of investment funds to assess their management of negative impacts.

As an investor, you have the option to indicate whether you want to consider PAIs and limit your impact in an area of your choice:

Climate and other environment-related indicators	
Greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> <li>• GHG emissions</li> <li>• Carbon footprint</li> <li>• GHG intensity of the 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> </ul>
Biodiversity	<ul style="list-style-type: none"> <li>• Activities negatively affecting biodiversity sensitive areas</li> </ul>
Water	<ul style="list-style-type: none"> <li>• Emissions to water</li> </ul>
Waste	<ul style="list-style-type: none"> <li>• Hazardous waste and radioactive waste ratio</li> </ul>

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters	
Social and employee matters	<ul style="list-style-type: none"> <li>• Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises</li> <li>• Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</li> <li>• Unadjusted gender pay gap</li> <li>• Board gender diversity</li> <li>• Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</li> </ul>
Environment <i>(applicable to investments in sovereign and supranational)</i>	<ul style="list-style-type: none"> <li>• GHG intensity</li> </ul>
Social <i>(applicable to investments in sovereign and supranational)</i>	<ul style="list-style-type: none"> <li>• Investee countries subject to social violations</li> </ul>
Fossil fuels <i>(applicable to investments in real estate)</i>	<ul style="list-style-type: none"> <li>• Exposure to fossil fuels through real estate assets</li> </ul>
Energy efficiency <i>(applicable to investments in real estate)</i>	<ul style="list-style-type: none"> <li>• Exposure to energy-inefficient real estate assets</li> </ul>

By specifying your preferences regarding PAIs, you choose how to prioritize investments that minimize negative impacts in the selected categories. For example, by selecting the reduction of GHG emissions as a priority, the recommended portfolio would ideally be composed of companies committed to this matter by demonstrating greater efficiency in climate change and by implementing initiatives to achieve carbon neutrality, and by having developed a plan to

<sup>5</sup> Table 1 of Annex I of the SFDR-RTS

<sup>6</sup> Table 2 and 3 of Annex I of the SFDR-RTS

significantly reduce GHG emissions. The Management Company has an Engagement and Exclusion Policy covering the PAIs mentioned above. You will find more information in the Management Company's statement on main adverse impacts on sustainable factors.

As part of its responsible investment policy, Delen Private Bank follows three different approaches to reduce the negative impact of investments: the integration of sustainability risks into the investment analysis and investment decision, the implementation of the engagement and exclusion policy or a process of dialogue with companies with obvious negative impact.

### **More information on our responsible investment policy**

You can find our responsible investment policy on the following link: [Sustainability Information & https://www.cadelux.lu/en-lu/documents](https://www.cadelux.lu/en-lu/documents).