DELEN
PRIVATE BANK
LUXEMBOURG

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Sustainability information

This information relates to the centralised wealth management offered by Delen Private Bank Luxembourg and is provided in accordance with Articles 23 et seq. of the SFDR Implementing Technical Standards[1].

Contents

[1] Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards detailing the content and presentation of information on the 'do no significant harm' principle and specifying the content, methodologies and format for information on sustainability indicators and adverse sustainability impacts and the content and presentation of information relating to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, websites and periodic reports.

1. Summary

In the context of the execution of its discretionary wealth management investment service, Delen Private Bank Luxembourg will take into account sustainability-related risks. The Bank is convinced that attention to these risks contributes to the sustainable development of individuals and society on the one hand, and results in long-term value creation on the other. Sustainability risks are events or circumstances related to ecology, social justice or governance that, if they occur, result in a negative impact on the economic value of an investment.

The Delen Private Bank Group uses the data provider *Sustainalytics* to identify and measure sustainability risks at the corporate level. An ESG risk score is determined based on the identified risks and a company's ability to control them. This score takes into account the importance of the risks for the companies in question.

This score – and the detailed analysis on which it is based – provides a clear picture of the risks and opportunities of any investment being considered. Together with the financial and qualitative analysis of the company, it forms the basis for all investment decision-making.

We also seek to control long-term sustainability risks by acting as an active shareholder through our management company, in collaboration with other investors, and by engaging in a dialogue on sustainability-related issues with our portfolio companies. We exercise, if necessary, our voting rights at shareholders' meetings, and always in accordance with our engagement policy.

As part of the execution of its mandate, Delen Private Bank Luxembourg promotes ecological or social characteristics, without having set itself a sustainable investment objective.

2. No sustainable investment objective

This financial product promotes ecological or social characteristics, but does not have a sustainable investment objective.

3. Ecological or social characteristics of the financial product

Environmental and social characteristics are fully integrated into the investment process in the following ways:

- The application of an exclusion policy to screen investments and control existing investments. Those who do not conform to our fundamental values are discarded. Environmental and social characteristics are taken into account here. For example, companies that do not respect the principles of the United Nations Global Compact on human rights, the environment and corruption, have no place in our wallets. The same is true for companies that manufacture controversial weapons. For all these decisions, the Cadelux/Cadelam management teams rely on *Sustainalytics data*.

- The integration of non-financial parameters related to ecology, social responsibility and good governance throughout the investment process. The Bank is convinced that a company that does not devote (sufficient) attention to its ESG risks is at risk in the future. Companies that take ESG risks into account and try to manage them have a long-term vision, which is perfectly in line with Delen Private Bank Luxembourg's management philosophy. In concrete terms, Cadelux/Cadelam's management teams use data provided by *Sustainalytics*, such as: ESG risk scores, information on controversies involving companies and information on the sustainability of companies' activities.

- Active dialogue with the companies in which our portfolios invest (engagement). While the integration of non-financial metrics provides visibility into ESG risk management in the past, engagement can anticipate upcoming ESG issues. The Delen Private Bank Group is working with *Federated Hermes EOS* on this front, a partner that challenges the companies concerned on a wide range of sustainability-related issues, always with a focus on the strategic importance of the issue being addressed. In the energy and utilities sectors, for example, the focus will be on setting targets related to emission reductions. In the consumer and industrial sectors, we will take a critical look at aspects related to the circular economy and human rights.

4. Investment Strategy

Delen Private Bank Luxembourg has a responsible wealth management policy. The Cadelux/Cadelam management companies ensure the implementation of the investment policy through the various profiled funds. Individual asset management and the associated investment strategy are ensured through these profiled funds.

Environmental or social characteristics are integrated into Cadelux's sustainability policy through:

- the exclusion policy;
- consideration of non-financial parameters;
- the policy of engagement;
- the assessment of good governance; and
- the assessment of compliance with the selection methodology in the investment process.

Sustainability risks are identified, managed and monitored as part of the investment decision-making process. The sustainability policy aims to mitigate or reduce the impact of the risks identified in this area.

The integration of sustainability risks into the investment decision-making process of the management company is reflected in its sustainability policy. As mentioned above, Cadelux/Cadelam's sustainability policy consists of an exclusion policy, a commitment policy and an integration policy.

The exclusion policy allows investments to be controlled to create a filtered selection and exclude the short-term sustainability risks of the sub-fund concerned. Where a short-term sustainability risk materialises, it can have a significant real negative impact on the value of the investments in the sub-fund in question. Examples include fines imposed on companies for non-compliance with environmental legislation and the resulting loss of reputation.

The exclusion policy sets out binding criteria on the basis of which the management company must decide whether or not to exclude an investment from the sub-fund concerned. The latter uses negative screening to exclude, inter alia, manufacturers of controversial weapons, including cluster munitions and anti-personnel mines, submunitions and/or inert ammunition and armour made from depleted uranium or any other industrial uranium, as well as tobacco producers. Companies that do not comply with the principles of the United Nations Global Compact are also excluded. As far as public issuers are concerned, the decision to exclude them is based on any sanctions taken by the United Nations against them. In each case, these are binding criteria.

The manager relies on specialised data from independent ESG analysis and rating agencies such as *Sustainalytics*. You can find more information about Cadelux's exclusion policy on webpage https://www.cadelux.lu/en-lu/documents.

Cadelux/Cadelam management companies use their "engagement" policy to mitigate, limit or control the medium and long-term sustainability risks that have been identified, if any.

The engagement policy is based on the principle of active shareholding, which provides for the possibility of engaging in dialogue with the company in which one invests via the sub-fund concerned. It aims to have a positive influence on companies in the area of sustainability. The term 'engagement' refers to the ongoing and constructive dialogue between the manager and the companies in which each sub-fund invests. To this end, our manager works with an external service provider to define priority sustainability topics and integrate them into the dialogue. The management company and the service provider shall communicate with the companies concerned. If an issuer fails to comply with its commitments within a reasonable period of time, or if the company is faced with other problems, the manager and/or the external service provider will contact the management of the latter and inform it of the need to correct the situation. Ultimately, the progress made by the relevant firm in its management efforts will have a beneficial impact on its core score, and consequently, on our manager's willingness to maintain, reduce or exit the investment positions in question. The right to vote at general meetings can also be used to approve or reject certain strategic choices in the portfolio companies. In the case of a public issuer, the engagement is more about "public consultation reactions." We address issues such as corporate governance codes, climate ambitions, guidelines and regulations together with our external service provider. The evaluation of these non-binding criteria is left to the discretion of the management company, which relies here on its engagement policy. You can find more information about the engagement and voting policy on webpage https://www.cadelux.lu/en-lu/documents.

The binding integration policy ensures that non-financial parameters are also included in the investment decision-making process.

Good governance is examined in two ways: first, flagrant breaches of good governance, identified through the analysis of compliance with the UN Global Compact, are excluded from the portfolio under our investment policy (see exclusion policy).

Good governance is also included as a parameter in the investment process through our integration and engagement processes. If these efforts are unsuccessful, the management company decides not to invest in the company concerned.

The management company assesses compliance with the selection methodology as part of the investment process.

5. Share of investments

We refer here to the document "Pre-contractual information on the transparency of the integration of sustainability risks", available on webpage https://www.delen.bank/en-lu/legal-info.

6. Monitoring of ecological or social characteristics

We regularly check whether our portfolios still comply with the exclusion policy. This check is performed in *Factset* using data from *Sustainalytics*. Companies with very high scores (> 40) are automatically excluded from the investment universe. Companies that are already in the portfolio and whose score fluctuates between 20-30 (medium) and 30-40 (high) are monitored more closely. *Sustainalytics* regularly adjusts its scores, which gives us insight into the ESG dynamics of companies. If Cadelux/Cadelam notices that a score is moving in the wrong direction in the short term, it can carry out a more in-depth analysis, before possibly deciding to replace the company in question with another in the same sector.

Sustainalytics also provides comprehensive updates on controversies that companies are embroiled in. Here, our data provider assesses the severity of the controversy, as well as the sentiment about the prospects that come with it. While this information is included in the ESG Risk Score, it is useful to look at it separately. EOS is contacted depending on the controversy, in order to obtain information on whether or not there is an ongoing dialogue on the identified issue.

7. Methodology

The management company uses specific methodologies and databases that include environmental, social and governance (ESG) data from external research firms, as well as the results of its own analyses. More specifically, as part of the implementation of its sustainability policy, the management company uses an external assessment agency that systematically assigns a risk score for each of the various identified sustainability risks to which the companies held in the portfolio are exposed.

According to its methodology, risks are broken down into "manageable" and "unmanageable" sustainability risks. In the first category, a distinction is again made between those that are actually managed and those that are not yet managed. The level of the risk score (hereinafter referred to as the "ESG score") is determined by the unmanaged and unmanageable sustainability risks identified for the respective companies.

The methodology is broken down according to the different sectors identified and then applied individually to each company. Each company is assigned an ESG score that takes into account the particularities of its sector of activity. The scores are included in the investment analysis. They determine – along with other risks – whether and to what extent a particular investment will be made or not. You can find more detailed explanations of the methodology on webpage https://www.cadelux.lu/en-lu/documents.

8. Data sources and processing

Delen Private Bank Luxembourg uses data provided by the asset management company Cadelux, Sustainalytics and Hermes EOS.

Delen Private Bank Luxembourg and Cadelux are in frequent dialogue to discuss their observations and ensure the quality of the data exchanged.

The data is processed in dashboards under *Factset*. They provide an overview of the non-financial characteristics of the portfolio and individual companies, and serve as a basis for making investment decisions.

9. Methodological and Data Limitations

The data provided may have limitations for some sustainability-related variables. These limitations can manifest themselves in different forms:

- Data is missing because it is not part of the data provider's offering. Some companies are not under *Sustainalytics*' radar. The impact on portfolios remains limited, given that the data provider's universe includes more than 10,000 companies.
- Some of the data are pure estimates (by *Sustainalytics*), as the underlying data has not been published by the relevant entities. This is usually the case for smaller companies and has little impact on our portfolios, with the choice mainly being made for companies with large market capitalizations. For both ESG risks (see methodology for calculating ESG scores) and CO2 data (calculation of carbon emissions data), *Sustainalytics* uses proven methodologies to make estimates.
- The data reported are inconsistent due to the lack of a standardized methodology. This is the case for CO2, for example: different calculation methods can give different results.
- Delen Private Bank Luxembourg is aware of the fact that this data is provided by a single party, which may in itself constitute a limitation. This part was chosen by the Bank after a due diligence process that focused on the methodology, universe, scope of data (score, turnover data, CO2 data, etc.), data availability and ease of use. The services of our data provider are implicitly continuously evaluated by their intensive use. If it turns out that the current partner's data and services are no longer successful, the Bank may decide to restart the supplier selection process.

10. Due diligence

The due diligence check carried out on the underlying assets consists of a positive screening during which we assess the potential for commitment and then the negative impacts. The aim is to visualise the impacts on people and the environment and compliance with the Delen Private Bank Group's minimum standards, the " *do no significant harm* " principle, as well as any sector-specific negative impacts. Assessing the influence of external sustainability factors on the investments of the Delen Private Bank Group makes it possible to define potential sustainability risks, such as physical/social risk and transition risk. Impact, risk and return are taken into account in each investment scenario. A due diligence policy and process is in place to ensure that all necessary steps of this due diligence are followed before making the decision to invest. The due diligence process also involves checks on the main operational and financial risks.

11. Engagement Policy

Engagement refers to the ongoing and constructive dialogue between the investor and its holdings. The goal is twofold: a financial return and a sustainable improvement for people, the environment and society. Engagement therefore goes a little further than exclusion: it aims to exert a positive influence on company policy.

Our management company uses its "engagement" policy to mitigate, limit or control the medium- and long-term sustainability risks that have been identified, if any. Delen Private Bank Luxembourg keeps a close eye on the execution of this engagement policy by Cadelux/Cadelam.

The engagement policy is based on the principle of active shareholding, which provides for the possibility of engaging in dialogue with the company in which one invests via the sub-fund concerned. It aims to have a positive influence on companies in the area of sustainability. The term 'engagement' refers to the ongoing and constructive dialogue between the manager and the companies in which each sub-fund invests. To this end, our fund manager works with an external service provider, in this case *Hermes EOS*, to define priority sustainability topics and integrate them into the dialogue. The management company and the service provider shall communicate with the companies concerned.

If an issuer fails to comply with its commitments within a reasonable period of time, or if the company is faced with other problems, the manager and/or the external service provider will contact the management of the latter and inform it of the need to correct the situation. Ultimately, the progress made by the relevant firm in its management efforts will have a beneficial impact on its core score, and consequently, on our manager's willingness to maintain, reduce or exit the investment positions in question.

The right to vote at general meetings can also be used to approve or reject certain strategic choices in the portfolio companies. In the case of a public issuer, the engagement is more about "public consultation reactions." We address issues such as corporate governance codes, climate ambitions, guidelines and regulations together with our external service provider. The assessment of these non-binding criteria depends on the assessment of the management company.

Cooperation on the environment, society and good governance is strengthened. There is a clear strategy and open communication in these three areas:

- Environment: Aligning economic models with the Paris climate agreements. To this end, the members of the United Nations commit to limiting global warming to no more than 2°C and to radically tackling air, land and water pollution.
- Society: Engage with companies with global supply chains. A company's employees are also a key stakeholder.
- Good governance: setting the controls and organizational balances of a company. For example, a well-functioning board of directors and the right balance between remuneration and sustainable value creation create the right impetus for targeted decision-making.

You can find more information about the engagement and voting policy on page https://www.cadelux.lu/en-lu/documents.