

# Exclusion Policy

Document history

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## Contents

<b>1</b>	<b>Introduction .....</b>	<b>3</b>
1.1	BLI – Banque de Luxembourg Investments .....	3
1.2	Purpose and scope of application of the Policy .....	3
<b>2</b>	<b>Exclusions .....</b>	<b>3</b>
2.1	Typology of exclusions .....	3
2.2	Additional exclusions for sustainable assets under SFDR .....	5
2.3	Additional and specific exclusions for certain Products .....	6
<b>3</b>	<b>Review and update of the Policy.....</b>	<b>6</b>
<b>4</b>	<b>Legal information .....</b>	<b>7</b>
<b>5</b>	<b>Appendix Summary of exclusions in the BL SICAV sub-funds .....</b>	<b>8</b>

# 1 Introduction

## 1.1 BLI - Banque de Luxembourg Investments

BLI - Banque de Luxembourg Investments ("**BLI**", or the "**Company**") is a management company and an alternative investment fund manager in accordance with Chapter 15 of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended, whose authorisation covers, in addition to the activity of collective management pursuant to Article 101 (2), also one or more services provided for by Article 101 (3) of the law of 17 December 2010, and in accordance with the Luxembourg law of 12 July 2013 on alternative investment fund managers.

BLI is a public limited company under Luxembourg law wholly owned by Banque de Luxembourg, Luxembourg ("**BDL**"), itself part of the French financial group Crédit Mutuel Alliance Fédérale ("**CM AF**").

Within the framework of its authorisations, BLI offers its services to investment funds (whether initiated by BDL, by other entities of the CM AF group or by third parties) as well as to institutional or professional clients other than investment funds.

For the majority of investment funds initiated by BDL or other entities of the CM AF group, BLI manages the portfolio. For the majority of investment funds initiated by third-party entities, BLI delegates portfolio management to duly authorised entities proposed by the investment funds in question or their initiators.

## 1.2 Purpose and scope of application of the Policy

This document (the "**Policy**") defines the exclusion policy applied by BLI:

- i. in the general context of BLI's conviction-based management according to an approach that can be described as prudent, conservative and highly selective
- ii. in the different stages of the implementation of BLI's sustainable and responsible investment policy.

The Policy applies to every portfolio invested in direct equity and/or bond lines (the "**Products**") for which BLI acts as portfolio manager – unless the client expressly requests otherwise.

# 2 Exclusions

## 2.1 Typology of exclusions

BLI identifies and applies several types of exclusions:

- controversy-based exclusions
- norms-based exclusions
- sector exclusions.

**Controversy-based exclusions** are intended to protect the financial value of investments made and the reputation of investors by avoiding their involvement in controversies when scandals arise. Controversies facing companies include situations such as industrial accidents, severe environmental pollution, convictions for corruption, money laundering, serious violations of UN human rights conventions, and structurally damaging governance problems.

To analyse controversies, BLI uses MSCI ESG Manager as a data provider (the "**Provider**"). Controversies are classified into different categories based on their severity:

- "Red" controversy status corresponds to the most severe controversies
- "Orange" controversy status corresponds to severe controversies
- "Yellow" controversy status corresponds to moderate controversies
- "Green" controversy status indicates the absence of controversies.

**Norms-based exclusions** are based on non-compliance with certain international standards by the companies concerned. At BLI, non-compliance with the United Nations Global Compact (the "**Global Compact**") is a norms-based exclusion that results in the exclusion of the issuer from the Products' investment universe. The Global Compact is a strategic initiative defining ten fundamental principles that guide companies in their commitment to responsible business practices in the areas of human rights, labour, the environment and corruption. The Provider proposes a classification of companies into different categories:

- Companies are classified as "fail" if they are involved in one or more controversies that present serious allegations that the company or its management bodies have caused severe and large-scale harm in violation of the Compact
- Companies under review are classified on the "watchlist"
- Companies that comply with the Global Compact are classified as "pass".

Companies with "red" controversy status and/or classified as "fail" in relation to the Global Compact are systematically removed from the Products' investment universe within 3 months of the date of the status in question being noted.

**Sector exclusions** concern:

- companies active in the production, use or possession of controversial weapons (anti-personnel mines, cluster munitions, biological and chemical weapons, white phosphorus and depleted uranium) as well as nuclear weapons (including key components) on behalf of states not authorised to possess this type of weapon by the Nuclear Non-Proliferation Treaty;
- companies on the Global Coal Exit List<sup>1</sup> (**GCEL**) which lists companies involved in the coal value chain;
- companies on the Global Oil & Gas Exit List<sup>2</sup> (**GOGEL**) whose production of hydrocarbons from unconventional fields and techniques exceeds 20% of their total hydrocarbon production;
- companies on the deforestation watch list drawn up by the Institut mutualiste pour l'environnement et la solidarité du Crédit Mutuel Alliance Fédérale.

### Exceptions:

If an issuer is concerned by an exclusion from the BLI investment universe, the manager or analyst of the company in question may draw up an SRI argument with a view to maintaining the stock's eligibility for consideration by the Sustainable and Responsible Investment Committee ("**SRIC**"), which will make the final decision.

Sectoral exclusions linked to the GOGEL are subject to a grandfathering clause applicable to positions held before 1 January 2024.

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<sup>1</sup> The GCEL is compiled by the German NGO Urgewald (<https://coalexit.org>)

<sup>2</sup> The GOGEL is compiled by the German NGO Urgewald (<https://coalexit.org>)

### **Procedure in the event of a change in status:**

When a company held in a portfolio loses its eligibility status in the investment universe, the manager(s) holding this company in the portfolio may either choose to accept this exclusion and sell the security within 3 months, or apply the above-mentioned exceptions procedure.

## **2.2 Additional exclusions for sustainable assets under SFDR**

In addition to the exclusions described above, BLI applies additional sector and norms-based exclusion criteria<sup>4</sup> to determine the investment universe for sustainable assets in accordance with EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**").

### ***Sector exclusions:***

Companies whose activities derive more than 10% of their revenues in the following controversial sectors are excluded from the universe of sustainable assets:

- The hydrocarbon production chain (extraction, refining, energy production)
- Thermal coal (extraction and energy production)
- Weapons
- Gambling
- Alcohol
- Tobacco
- Gold mining

### ***Norms-based exclusions:***

Companies that are not in compliance with the UN Global Compact, i.e., classified as "Fail" or "Watchlist" (in MSCI ESG), cannot be classified as sustainable. This is because the latter are involved in one or more controversies which present serious allegations that the company or its management bodies have caused severe or very severe damage in breach of the Compact. An exception may be made for companies on the UN Global Compact Watchlist due to a controversy that has been declared closed.

### **Exceptions:**

If an issuer is affected by a sectoral exclusion from BLI's sustainable assets investment universe, the manager or analyst of the company in question may prepare an SRI argument for maintaining the stock's eligibility for the SRIC to decide.

In addition, an issuer concerned by the Global Compact's normative exclusion ("Watchlist" status) may be the subject of an exception to be validated by the Groupe de Travail investissement ESG on the basis of a formal analysis by the manager.

### **Procedure in the event of a change in status:**

When a company in the portfolio loses its eligibility status in the universe of sustainable assets, the manager(s) who hold(s) this company in the portfolio can either choose to accept this exclusion or apply the exceptions procedure.

### **2.3 Additional and specific exclusions for certain Products**

Certain Products managed by BLI apply additional exclusions which are more fully described in the individual Products' investment policies and are published on BLI's website.

A summary of the exclusions applied to the BL SICAV sub-funds can be found in the Appendix.

## **3 Review and update of the Policy**

The Policy will be amended to reflect any developments in the approach, organisational changes and legislative and regulatory developments. In all cases, it will be reviewed at least once a year.

## 4 Legal information

This document has been written by BLI and describes the exclusion policy applied by BLI for the Funds that fall within its scope. This document is not an advertising communication within the meaning of Regulation (EU) 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and (EU) No 1286/2014. The economic, financial and non-financial information contained in this publication is provided for information purposes only based on data known at the date of publication. This information does not constitute investment advice or a recommendation or inducement to invest, nor should it be construed under any circumstances as legal or tax advice. No guarantee is given as to the accuracy, reliability, recency or completeness of this information.

BLI draws the attention of the recipient of this document to the need to apply the utmost caution when using any information relating to a Fund, in particular the fact that **past performance is no guarantee of the future performance of that Fund**.

Generally, BLI does not assume any responsibility for the future returns of these Funds and shall not be liable for any decision that an investor may or may not make on the basis of this information. Interested parties should ensure that they understand all the risks inherent in their investment decisions and should refrain from investing until they have carefully assessed, in collaboration with their own advisers, the suitability of their investments for their specific financial situation, especially with regard to legal, tax and accounting aspects.

They must also take into account all the characteristics and objectives of the Fund, in particular those referring to sustainability aspects in accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services.

Subscriptions to a Fund representing units in a collective investment undertaking are only permitted on the basis of the current prospectus, the latest annual or semi-annual report and the Key Information Document (KID) (the “**Documents**”) of the Fund concerned. The Documents may be obtained free of charge from BLI. All the Documents, including the sustainability information and the summary of investors’ rights are available on BLI's website: [www.bli.lu](http://www.bli.lu)

Any reproduction of this Policy is strictly prohibited without prior written consent from BLI.

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## 5 Appendix Summary of exclusions in the BL SICAV sub-funds

		Exclusions from the investment universe (% turnover / presence on GCEL list)					Exclusions from the "sustainable assets" universe (% turnover)						
	Funds	Controversial weapons	Thermal coal	Unconventional hydrocarbons	Weapons	Tobacco	Coal	Hydrocarbons	Weapons	Gambling	Alcohol	Tobacco	Gold mining
Equities	BL American Small & Mid Caps	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Equities Emerging Markets	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Equities America	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Equities Asia	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Equities Dividend	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Equities Europe	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Equities Japan	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL European Family Businesses	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL European Small & Mid Caps	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Global Equities	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%



Mixed Funds	BL Global Flexible EUR	0%	GCEL	20%	10%	5%	10%	10%	10%	10%	10%	5%	10%
	BL Global Flexible USD	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Global 30 / 50 / 75	0%	GCEL	20%	10%	5%	10%	10%	10%	10%	10%	5%	10%
	BL Emerging Markets	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
Bonds	BL Bond Dollar	0%	GCEL	20%	-	-							
	BL Bond Euro	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Bond Emerging Markets Dollar	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Bond Emerging Markets Euro	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Corporate Bond Opportunities	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%
	BL Global Bond Opportunities	0%	GCEL	20%	-	-	10%	10%	10%	10%	10%	10%	10%