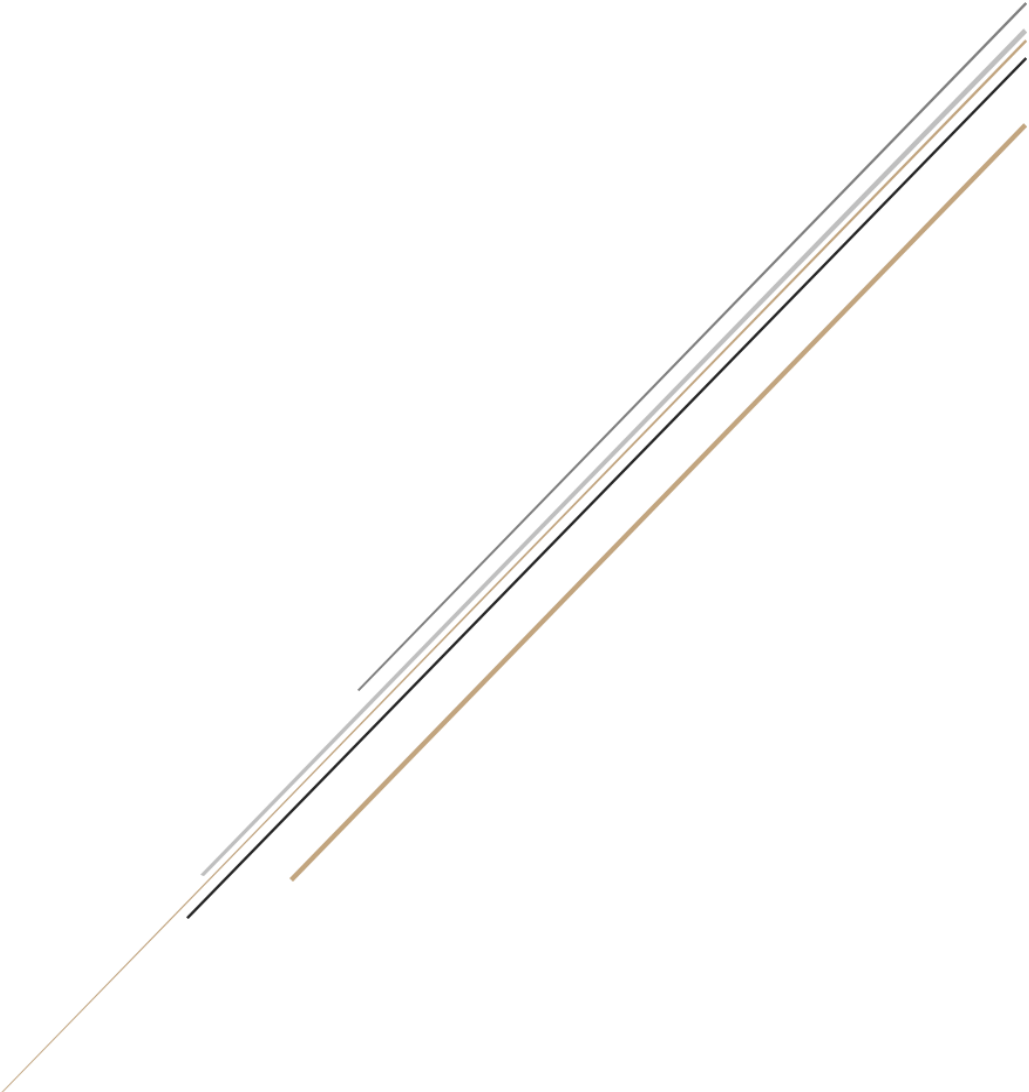


Exclusion Policy

BLI - Banque de Luxembourg Investments



Document history

Version	Date	Description	Author	Project Manager	Approval
1	June 2021	Creation	Julien Jonas	Julien Jonas	SRI Committee Executive Committee

Introduction

As a signatory of the United Nations Principles for Responsible Investment (UN PRI) since 2017, our sustainable and responsible investment approach is based on our long-term oriented and conviction-based principles.

Our approach can be described as cautious, conservative and highly selective. Certain sectors such as commodities, finance, air transport and those that are capital-intensive or highly complex have almost no representation in our products. They are not technically excluded but they do not meet our strict investment criteria.

The issue of exclusions requires considerable reflection, particularly in a context that increasingly promotes the environmental, social and governance aspects of securities¹. Hence the policy may need to change and will be amended if needed.

The exclusion policy is proposed by the SRI Committee and approved by BLI's Executive Committee.

¹ It should be noted that sustainability issues are localised at the level of the company concerned. For equity investments, the exclusion of a company due to an ESG issue means its shares will be excluded. For bond investments, when the bond has a positive and measurable social or environmental impact, that specific dimension may compensate for an ESG problem identified regarding the issuer which might have led to the exclusion of the issuer in question. This must be acknowledged by the SRI Committee – see the section of this policy entitled 'Procedure in case of non-compliance'.

Exclusions

Scope

The exclusion policy applies to any portfolio with direct lines in equities and/or bonds for which BLI acts as portfolio manager – unless expressly requested by the client².

Types of exclusions

BLI identifies several types of exclusions:

- exclusions based on controversies
- exclusions due to non-compliance with the United Nations Global Compact
- sector exclusions.

Controversy-based exclusions are intended to protect the reputation of investors and to avoid them becoming embroiled in controversies when scandals arise.

For example, the identification of notable ESG events may result in the exclusion of a security. BLI's SRI team receives daily alerts from its ESG research provider³ concerning any serious controversies involving companies in which we invest. Securities subject to a 'red flag' must be removed from BLI's investment universe within 3 months, unless the investment manager can defend the security's continued eligibility to the SRI Committee.

Non-compliance with the UN Global Compact principles is another reason for exclusion. The principles form a strategic initiative which supports companies globally. Signatories are committed to adopting responsible business practices in the areas of human rights, labour, environment and anti-corruption. BLI's SRI team also receives daily alerts from the ESG research provider of any changes in the status of investees. Securities classified as 'fail' must be removed from BLI's investment universe within 3 months, unless the investment manager can defend the security's continued eligibility to the SRI Committee. Securities classified as 'fail' correspond to companies involved in one or more controversies that present serious allegations that the company or its management have caused severe harm on a large scale in violation of the UN Global Compact.

Sector exclusions relate to two activities:

- Companies listed by the NGO International Campaign to Ban Landmines – Cluster Munition Coalition (ICBL-CMC)⁴, which are active in the manufacture of **controversial weapons**, such as anti-personnel landmines, cluster munitions, depleted uranium, white phosphorus ammunition and chemical and biological weapons, are systematically excluded from our funds.

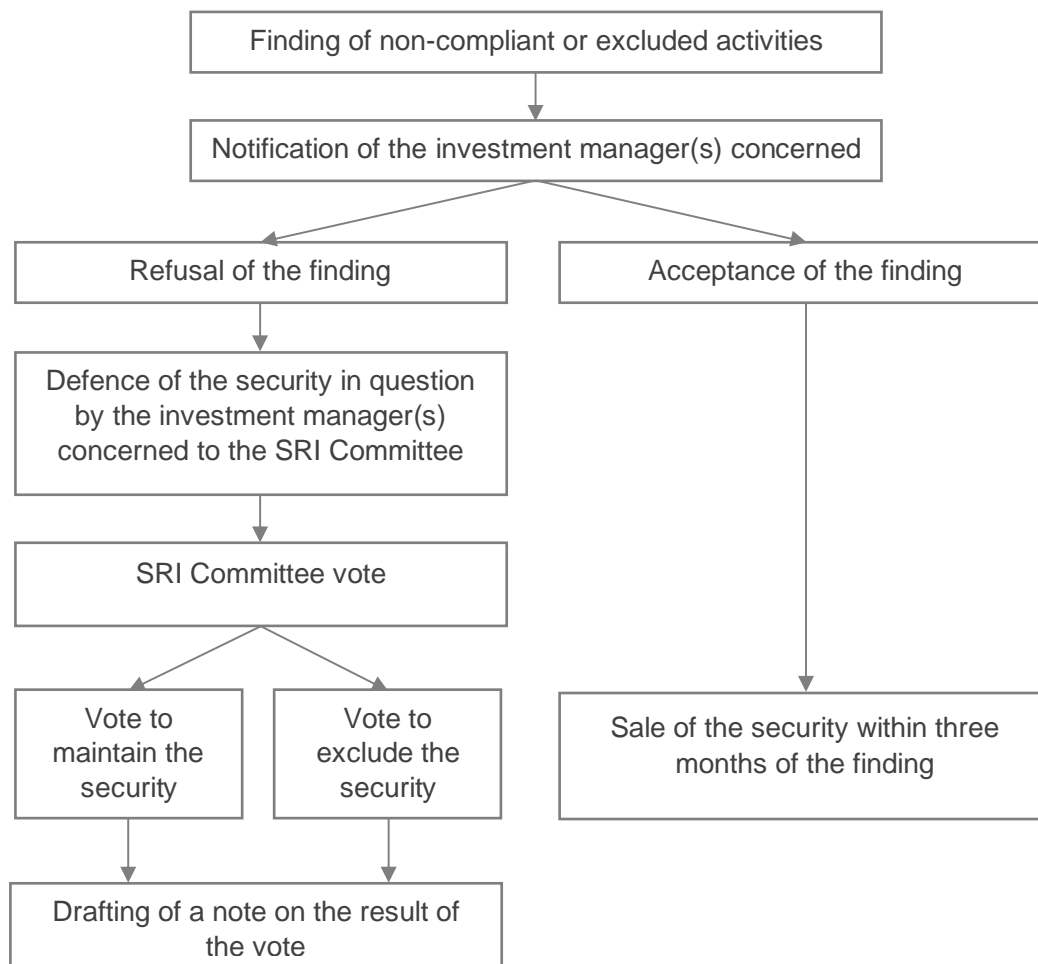
² Certain funds managed by BLI apply additional exclusions which are more fully described in the individual funds' investment policies and are published on BLI's website.

³ Our ESG research provider is MSCI ESG Research

⁴ www.stopexplosiveinvestments.org

- Securities listed on the Global Coal Exit List⁵ (GCEL). The GCEL list was developed by the German NGO Urgewald and lists companies involved in the **coal** value chain. Coal is recognised as the energy source that generates the most CO₂ emissions per kWh produced. The creation of new coal-fired power plants with an average lifespan of 40 years does not meet our commitment to combat climate change.

Procedure in case of non-compliance⁶



When the SRI team and/or the Head of Risk Management determines that a company held in a portfolio is no longer in compliance with our exclusion policy, he/she notifies the relevant investment manager(s) who hold the company in a portfolio. They can either choose to exclude the security in question or come and defend it before the SRI Committee entirely on the basis of ESG arguments.

⁵ <https://coalexit.org/>

⁶ Concerns all types of exclusions except for exclusions linked to controversial weapons manufacturers.

Following the defence presentation, the SRI Committee votes on whether to maintain the security. For this decision to be taken, two-thirds of the SRI Committee must be present. A qualified majority of two-thirds of the participants is required for the vote to pass.

The investment manager(s) concerned are not permitted to vote. If exclusion is decided, the security must be sold within 3 months of the initial finding of non-compliance. This decision will be recorded in the Committee's minutes.

Sources of information

BLI uses the services of an ESG data provider, MSCI ESG Research, to validate compliance with the UN Global Compact principles and for assessing a controversy's severity. The list of companies linked to controversial weapons is based on the NGO International Campaign to Ban Landmines list, the NGO Cluster Munition Coalition list and the EU sanctions list. The GCEL is provided by the NGO Urgewald.