

# Sustainable and Responsible Investment Methodology for Funds of funds

## Document history

Version	Date	Description	Author	Review	Approval
2.3	March 2025	Annual review Introduction of distinction active vs. index funds	GRC Expert SRI	Head of SRI Strategy & Stewardship	Sustainable & Responsible Investment Committee

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## 1 Purpose of this document

This document summarizes the methodology applied by BLI - Banque de Luxembourg Investments ("BLI") with regard to sustainable and responsible investment in the context of the "fund of funds" type products specified in section 2 (the "Products").

The methodology presented in this document (the "Methodology") is part of the provisions specified in the contractual and/or pre-contractual documents governing the Products. More specifically, it is intended to provide additional, non-contractual information to the provisions specified in the contractual and/or pre-contractual documents governing the Products. This document is intended for any person investing in a Product or interested in investing in a Product and interested in the Methodology applied by BLI.

Insofar as the Methodology may evolve over time due to various factors (for example: changes in the regulatory framework, availability of relevant data, etc.), this document may evolve without this necessarily resulting in changes to the contractual and/or pre-contractual documents governing the Products.

Any person investing in a Product, or interested in investing in a Product, is therefore invited to consult the BLI website for the current version of the Methodology.

The purpose of this document is not to advertise or promote one or more collective investment scheme-type financial products. However, insofar as this document refers to mutual fund financial products, it represents an advertising communication as specified in section 7.

## 2 Scope of application

The Methodology applies to the following Products:

- Within the BL SICAV:
  - BL Fund Selection Global Markets
  - BL Fund Selection Smart Equities
- Within the FCP Sélection f
  - Sélection f Smart Evolution
  - Sélection f Smart Equities
- Any other product (including discretionary management mandates) (i) for which all or part of the portfolio is managed by BLI and (ii) whose contractual and/or pre-contractual documents specifically indicate that all or part of the Methodology applies.

## 3 Objectives of the responsible investment strategy

The Products are funds of funds with a dual objective. The Methodology implemented combines active asset allocation and a rigorous selection of funds covering both the Environmental, Social, and Governance (ESG) aspects of the strategies analysed as well as purely financial aspects.

### 3.1 Investment objectives

The objective of the Products is to generate long-term capital appreciation by investing in funds with a relevant and substantiated SRI methodology, while maintaining an attractive risk/return profile.

### 3.2 Sustainability objectives

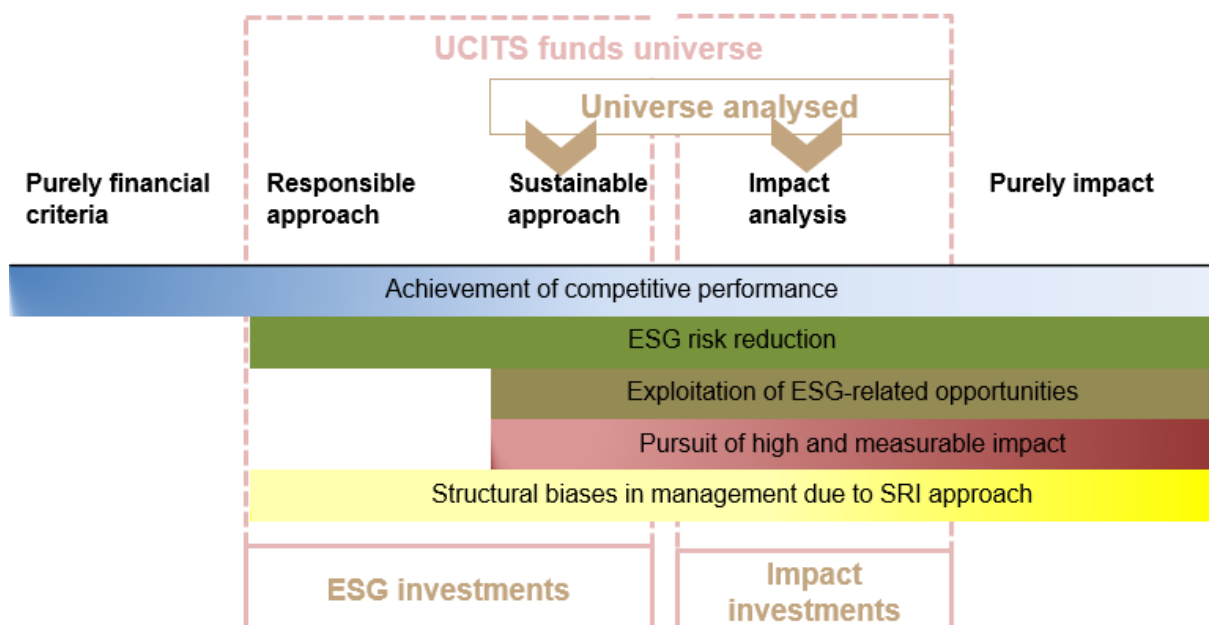
The Products aim to provide access to the very best in sustainable investment, within a universe that is expanding as advances are made in that area and practices improve. A number of general objectives are identified as part of a long-term transition towards a more sustainable finance and society, whether through the investment strategy of the fund itself, or through the themes addressed by the underlying funds, such as:

- **Improving investment practices:** through the Products, the fund management team aims to promote and encourage new methods of analysis. A security can no longer be analysed solely on the basis of its future cash flows. External factors and stakeholders must be taken into account. The investments must then be monitored, not only from a financial point of view, but also, for example, in terms of voting and engagement policies.
- **Ecological transition:** providing solutions to environmental challenges (energy efficiency, renewable energies, smart infrastructure, pollution control, water and waste treatment, etc.).
- **Lifestyle transition:** helping to create new economic models (sharing economy, circular economy, development of clean transport, infrastructure, connectivity, logistics, cybersecurity, solutions related to well-being, etc.) to meet societal challenges.
- **Health transition:** meeting the major challenges posed by an ageing population, improved diagnostics and accessibility to care, the development of new treatments and techniques, new prevention methods, etc.
- **Demographic transition:** meeting the challenges of agricultural production, food security and its transportation and distribution, education, but also those linked to broader changes in consumer behaviour, particularly in emerging market countries.

## 4 SRI analysis methodology

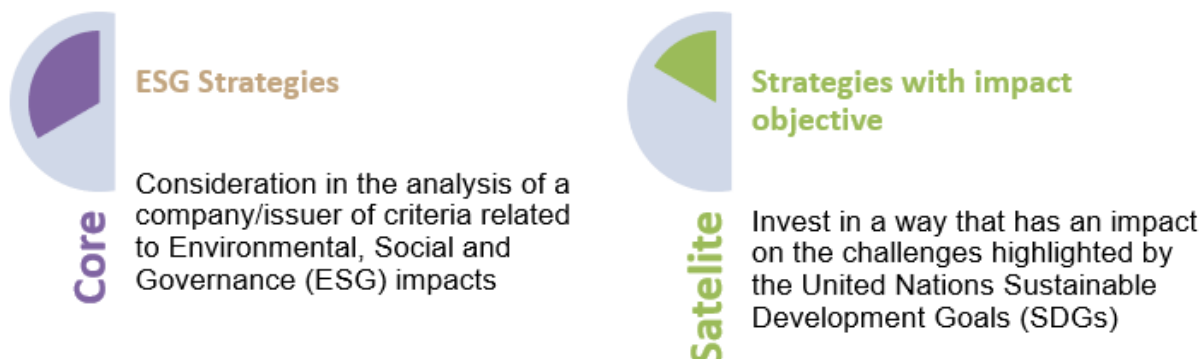
The underlying funds are selected on the basis of traditional financial criteria and ESG/impact criteria.

The Products cover a very broad universe and differentiate between two major strategy families, as illustrated in the diagram below:



#### 4.1 Diversification of sustainable and responsible approaches

The Products take a global approach to sustainable and responsible investment. As such, they adopt a multi-dimensional approach combining ESG investments with more specific impact investments based on a core-satellite approach.



This method is based on two considerations:

- From a management point of view, a monothematic approach (e.g. ecological transition) could lead to significant biases (mainly in sector allocation) which would influence the risk/return profile of a portfolio composed in this way. As BLI's objective is to generate consistent long-term performance with controlled volatility, a monothematic approach would narrow the field of possibilities.
- While certain ESG issues receive a great deal of media coverage (such as climate change), other very real problems persist and are regularly highlighted in the news (such as access to healthcare, corruption and governance, workers' well-being, etc.). These issues also deserve to be taken into consideration as globally as possible, through in-depth, multi-dimensional ESG processes.

The combination of these two families (core and satellite), each with its own advantages and disadvantages, ensures effective portfolio diversification at different levels (asset classes, sector and/or geographical allocation, ESG and financial risks, impact generation, etc.).

In addition to assessing the fundamental qualities (in terms of both financial management and sustainable and responsible profile), the fund selectors aim to understand the structure of the portfolios analysed in order to identify each fund's individual biases, so that these can be taken into account when constructing the final portfolio.

#### 4.2 SRI profile analysis for active funds

The objective of this analysis is to understand to what extent and in what way sustainable and responsible investment is taken into account in the management process of each fund analysed.

The analysis not only covers the fund in question, but also its management company, and is structured in several stages:

- Performing due diligence on the basis of a specific questionnaire in orders to:
  - Identify the extent to which the management company has embraced the theme of sustainable and responsible investment
  - Evaluate the resources dedicated to ESG (organisation, influence on management processes, etc.)
  - Determine the degree of SRI/ESG integration in the construction of the fund.

- Analysis of all relevant documentation: voting policy, policies and procedures (such as CSR, SRI, engagement), sustainability report, etc.
- Regular meetings and discussions with the management team.

At the end of this research process, an SRI identity card (SRI ID) is established and an internal score assigned to the management company and the fund. This identity card and these ratings provide the managers with a holistic view of a fund's positioning within the SRI universe and also enable easy comparison between several funds.

At the fund level, the internal scoring model evaluates the following 4 elements:

- A policy of exclusion including at least the exclusion of the controversial weapons, coal and tobacco sectors (a maximum of 10% of revenue)
- A documented sustainable and responsible investment policy and procedures
- Clearly identified investments in sustainable assets
- Detailed ESG/SRI reporting.

A rating between 0 and 100 (Fund Internal SRI Rating) will be awarded according to the level of ambition pursued by the fund's strategy.

Similarly, at the management company level, a rating between 0 and 4 will be awarded according to the level of SRI integration achieved. The internal scoring model evaluates:

- The fact of being a signatory of the UN PRI and other charters
- The existence and quality of a CSR policy
- The existence of voting, exclusion and engagement policies

#### 4.3 SRI profile analysis for index funds

The aim is to select ETFs (index funds) that replicate a recognized SRI/ESG benchmark and are classified under article 8 or 9 of the SFDR.

### 5 Portfolio construction criteria

For BLI, the portfolios of each Product meet the following criteria:

- At least 75% of the invested assets (excluding cash and derivatives) of the Product's portfolio are invested in funds that meet the following criteria:
  - Classification under Article 8 SFDR targeting sustainable assets or under Article 9 SFDR
  - Internal fund rating greater than or equal to 70/100
  - Minimum internal rating of 2/4 at fund management company level for active funds
- At least 30% of the Product's net assets are invested in sustainable assets<sup>1</sup>

The management team has set up a specific monitoring process to analyse the sustainable and responsible profile of the underlying funds.

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<sup>1</sup> For investments in a fund, the value used to measure sustainable investment corresponds to the minimum sustainable investment commitment made by the fund in question according to the SFDR appendix to the fund's prospectus.

## **6 Review and update of the Methodology**

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

## 7 Legal information

This document has been written by BLI - Banque de Luxembourg Investments ("**BLI**"). It refers directly or indirectly to one or more financial products (the "**Financial Product**") and constitutes 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 the cross-border distribution of undertakings for collective investment and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and (EU) No 1286/2014. The economic, financial and extra-financial information contained in this document is provided for information purposes only on the basis of information known at the date of publication. This information does not constitute investment advice, a recommendation or inducement to invest, and should in no way be construed as legal or tax advice. No warranty is given as to the accuracy, reliability, recency or completeness of this information.

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- Furthermore, past performance of the Financial Product is no guarantee of its future performance.

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They must, moreover, take into account all the characteristics and objectives of the Financial Product, including those referring to sustainability-related aspects in accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on the publication of sustainability-related information in the financial services sector.

Subscriptions to a Financial Product representing units in a collective investment scheme are only authorized on the basis of the current prospectus, the latest annual or semi-annual report and the Key Investor Information Document (KIID) (the "**Documents**") of the Financial Product in question. The Documents are available free of charge from BLI. All Documents, including sustainability information, are available on BLI's website at [www.bli.lu](http://www.bli.lu).

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