

## Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant** Banque Internationale à Luxembourg, LEI 9CZ7TVMR36CYD5TZBS50

### Summary

Please find also the [French](#) and [German](#) versions of the Summary.

Banque Internationale à Luxembourg, LEI 9CZ7TVMR36CYD5TZBS50, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the individual statement on principal adverse impacts on sustainability factors of Banque Internationale à Luxembourg (BIL), and does not take into account the impacts of its subsidiaries.

This PAI Statement includes assets and products that are held by the client within their Discretionary Portfolio Management managed by BIL and excludes assets and products held by the clients under Advisory mandates, “execution only” business service, custody assets, external asset managers, etc.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

This statement describes how BIL considers Principal Adverse Impacts (PAIs) of its investment decisions on sustainability factors, and summarises its investment due diligence policies in respect of the associated processes. In order to address the regulatory reporting requirements under Article 4 of Regulation (EU) 2019/2088 (SFDR) and Chapter II of the Commission Delegated Regulation (EU) 2022/1288 (RTS) as well as improve its data processing, BIL internalised the calculation of the PAI indicators for the first time during 2023. BIL is responsible of the quality of the data presented in this report, as well as the accuracy of the calculations. For further information on calculations, the assumptions and methodology used, please refer to Annex 1 of this document.

To increase the data coverage disclosed in last year's report, BIL took several concrete actions:

- BIL performed a look through for BIL Invest and Private One funds hold in discretionary mandates' portfolios and calculated their respective PAI based on their different underlying assets.
- BIL contracted with an Environmental, Social and Governance (ESG) data provider, Refinitiv, and structured all the provided ESG data in BIL databases.
- Own research: when data was not present in the raw data files received from the data provider, BIL manually retrieved the information from their data platform, looking to the parent company if needed. This manual research allowed BIL to gather additional PAI data for 895 ISIN's.

In addition, for external funds reporting an "unusual" PAI value, BIL contacted the manager to understand the value and ultimately adjust the PAI value reported through the European ESG Template (EET). Following this, in the case we did not receive an adjusted EET from the manager before the date of publication, BIL decided to exclude those instruments (0,17% of the scope) as to not include values confirmed of containing errors.

BIL is committed to measure all mandatory principle adverse impacts as well as two additional ones, which we believe are important for the planet and the society. In this respect BIL's Exclusion Policy focuses specifically on PAI 10 which focuses on violations of UN Global Compact principles and OECD Guidelines as well as PAI 14 which addresses exposure to controversial weapons, reflecting sever ethical concerns and long-lasting harm. The exclusions are based on our data provider's norms-based and controversial activity analysis, where issuers are excluded following repeated and significant violations, lack of appropriate response or change in behaviour and thresholds on controversial activities.

The BIL quarterly snapshots for financial year 2023 give the following portfolio composition:

| Investee Funds<br>(Indirect) | Investee Companies<br>(Direct) | Sovereign,<br>Supranational &<br>Agencies | Real Estate | Other |
|------------------------------|--------------------------------|---|-------------|-------|
| 58,00%                       | 36.64%                         | 2.34%                                     | 0.25%       | 2.76% |

BIL's objective is to closely monitor the evolution of PAIs, with a plan to review its position and engage in a reflective process in following years. This review will encompass possible adjustments to the overall PAI approach or the establishment of specific Environmental, Social, and Governance targets.

In order to consider the adverse impact on sustainability factors, BIL addresses the Principle Adverse Impacts of its investments on sustainability factors through several ESG integration tools, such as ESG scoring models, ESG analysis, norm offence diagnostics, and controversial activity exclusions. Due diligence procedures are part of a broader investment process that considers ESG risk management. BIL is continuously seeking additional ways to consider adverse impacts in a robust and meaningful way. The methodology used for PAI consideration will include further enhancements of existing procedures and processes, focusing on expanding PAI data sources and the prioritization and review of PAIs in accordance to BIL's firm-wide sustainable development priorities. BIL has put in place a governance process to ensure the transparency and clear reporting of PAIs. The ESG Strategic Committee evaluates and acknowledges the PAI report and monitors BIL's ESG journey. BIL ensures that its investment portfolio managers and research teams are trained regarding sustainability issues, and Sustainability experts are available for advice on issues.

### **Description of the principal adverse impacts on sustainability factors**

The SFDR requires mandatory reporting of PAI indicators, which are divided into a "core set of universal mandatory indicators" and "additional opt-in indicators". BIL considers all mandatory PAI indicators from Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288, in addition to 2 other optional PAI indicators from the same Annex: PAI indicator number 4, as set out in Table 2 of Annex I for "Additional climate and other environment-related indicators"; and PAI indicator number 15, as set out in Table 3 of Annex I for "Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters".

For 2023, BIL concentrated its efforts on data recovery, with manual and deeper research and the internalisation of the calculation of PAI . BIL has made the decision not to use any proxies for the purpose of PAI assessment, rather focusing on exploiting and improving processing of the data supplied by its new data provider. The report is based solely on available data either provided by investee companies or via the EET (European ESG Template) reports made by funds . BIL anticipates a positive evolution of data quality and availability and will revise the best effort basis methodology consequently in the coming years.

In the table below BIL has listed the 18 mandatory PAI indicators given in Table 1, Annex 1 of Commission Delegated Regulation (EU) 2022/1288 and the other 2 previously mentioned additional PAI indicators (number 4 from Table 2 and number 15 from Table 3) of that same Annex, as well as the related actions taken by BIL relating to each indicator.

\* It is worth to note that the 2022 impact results are not directly comparable to 2023's results due to BIL's process and methodology changes related to its efforts to retrieve more data and improve the assessment of its investments' impact for 2023.

### Indicators applicable to investments in investee companies

| Adverse sustainability indicator                        | Metric           | Impact [year 2023]    | Impact [year 2022] | Explanation | Actions taken, and actions planned and targets set for the next reference period   |
|---|------------------|-----------------------|--------------------|-------------|--|
| <b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b> |                  |                       |                    |             |  |
| Greenhouse gas emissions                                | 1. GHG emissions | Scope 1 GHG emissions | 62 208,31 TCO2     | 168 406,82* | The eligibility of this indicator is of 52,30% (15.66% for indirect investments and of 36.64% for direct investments). This indicator has a coverage of 15,26% |
|   |                  |                       |                    |             | Throughout 2023 BIL performed the monitoring of the greenhouse gas emissions indicators in its investment  |

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|  |  |                       |                 |               | for indirect investments and 26,72% for direct investments.   | portfolio, and continued to work on expanding its access to data.   |
|  |  | Scope 2 GHG emissions | 16 067,89 TCO2  | 52 081,82*    | The eligibility of this indicator is of 52,28% (15,64% for indirect investments and of 36.64% for direct investments).<br><br>This indicator has a coverage of 15,23% for indirect investments and 26.72% for direct investments. | As explained in our 2022 report, in 2023 BIL considered engaging with underlying investments. However, as BIL is not a massive shareholder in any of the underlying investments, and due to the majority of BIL investments being in large cap issuers, engagement efforts by BIL would not be able to successfully influence the issuers' impacts. |
|  |  | Scope 3 GHG emissions | 523 633,39 TCO2 | 2 477 613,14* | The eligibility of this indicator is of 50,60% (13,96% for indirect investments and of 36.64% for direct investments).<br><br>This indicator has a coverage of 13,51% for indirect investments and                                |   |

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|  |                     |                     |                       |               | 25,71% for direct investments.   | We will review our position regularly as our investments evolve. |
|  |                     | Total GHG emissions | 601 909,59 TCO2       | 2 700 125,63* | <p>The eligibility of this indicator is of 51,74% (15,10% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 14,84% for indirect investments and 27,03% for direct investments.</p> <p>The total GHG emissions has been calculated as the sum of Scope 1 GHG emissions, Scope 2 GHG emissions, and Scope 3 GHG emissions (for more details, see the Annex 1).</p> |  |
|  | 2. Carbon footprint | Carbon footprint    | 45 006 901,78 TCO2/€M | 774,56*       | The eligibility of this indicator is of  |  |

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|  |  |                                     |                |         | 51,04% (14,40% for indirect investments and of 36.64% for direct investments).<br><br>This indicator has a coverage of 14,27% for indirect investments and 27,03% for direct investments.   |  |
|  | 3. GHG intensity of investee companies | GHG intensity of investee companies | 337,04 TCO2/€M | 104,44* | The eligibility of this indicator is of 50,68% (14,04% for indirect investments and of 36.64% for direct investments).<br><br>This indicator has a coverage of 14,32% for indirect investments and 27,03% for direct investments. |  |
|  | 4. Exposure to companies active in the | Share of investments in companies   | 5,02%          | 1,93%*  | The eligibility of this indicator is of 49,19% (12,55% for indirect investments   |  |

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|  | fossil fuel sector  | active in the fossil fuel sector  |        |   | and of 36.64% for direct investments).<br><br>This indicator has a coverage of 13,24% for indirect investments and 3,22% for direct investments.   | In 2023 BIL made efforts to improve the data processing and calculations. For 2024, BIL plans to study the new   |
|  | 5. Share of non-renewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | 30,49% | 3.79%* (consumption)<br>0.59%* (production) | The eligibility of this indicator is of 46,10% (9,46% for indirect investments and of 36.64% for direct investments).<br><br>This indicator has a coverage of 9,96% for indirect investments and 18,34% for direct investments.<br><br>For 2023 statement, we decided to report one combined figure for consumption and production to be consistent with the | internalized data and assess how it can further improve the coverage, since BIL has a low impact on this indicator.<br><br>In 2023 BIL made efforts to improve the data processing and calculations. For 2024, BIL |



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|  |  |   |  |   | figures reported for equities and bonds, and funds by our data provider. | plans to study the new internalized data and assess how it can further improve the coverage, since BIL has a low impact on this indicator. |
| 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | 10 165,47 MWH/€M (NACE A — AGRICULTURE, FORESTRY AND FISHING) | 0,000* (NACE A — AGRICULTURE, FORESTRY AND FISHING)) | The eligibility of this indicator is of 68,79% (32,15% for indirect investments and of 36.64% for direct investments).<br><br>This indicator has a coverage of 33,97% for indirect investments and 13,73% for direct investments. |  |  |
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|  |  | 265 378,71 MWH/€M (NACE B - MINING AND QUARRYING)             | 0,088* (NACE B - MINING AND QUARRYING)               | The eligibility of this indicator is of 68,79% (32,15% for indirect investments and of 36.64% for direct investments).<br><br>This indicator has a coverage of 33,97% for indirect investments and                                |  |  |

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|  |  |  |   |   | 13,73% for direct investments.   |  |
|  |  |  | 112 889 MWH/€M<br>(NACE C – MANUFACTURING)  | 0,006* (NACE C – MANUFACTURING)                                       | <p>The eligibility of this indicator is of 68,79% (32,15% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 33,97% for indirect investments and 13,73% for direct investments.</p> |  |
|  |  |  | 534 457,79 MWH/€M<br>(NACE D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY) | 0,022* (NACE D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY) | <p>The eligibility of this indicator is of 68,79% (32,15% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 33,97% for indirect investments and 13,73% for direct investments.</p> |  |

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|  |  |  | 133 015,28 MWH/€M<br>(NACE E - WATER SUPPLY;<br>SEWERAGE, WASTE<br>MANAGEMENT<br>AND REMEDIATION<br>ACTIVITIES) | 0,003* (NACE E -<br>WATER SUPPLY;<br>SEWERAGE,<br>WASTE<br>MANAGEMENT<br>AND<br>REMEDIATION<br>ACTIVITIES) | The eligibility of this<br>indicator is of<br>68,79% (32,15% for<br>indirect investments<br>and of 36.64% for<br>direct investments).<br><br>This indicator has a<br>coverage of 33,97%<br>for indirect<br>investments and<br>13,73% for direct<br>investments. |  |
|  |  |  | 46 298,90 MWH/€M<br>(NACE F - CONSTRUCTION)   | 0,000* (NACE F -<br>CONSTRUCTION)  | The eligibility of this<br>indicator is of<br>68,79% (32,15% for<br>indirect investments<br>and of 36.64% for<br>direct investments).<br><br>This indicator has a<br>coverage of 33,97%<br>for indirect<br>investments and<br>13,73% for direct<br>investments. |  |

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|  |  |  | 32 772,00 MWH/€M<br>(NACE G - WHOLESALE<br>AND RETAIL TRADE;<br>REPAIR OF<br>MOTOR VEHICLES AND<br>MOTORCYCLES) | 0,002* (NACE G -<br>WHOLESALE AND<br>RETAIL TRADE;<br>REPAIR OF<br>MOTOR VEHICLES<br>AND<br>MOTORCYCLES) | The eligibility of this<br>indicator is of<br>68,79% (32,15% for<br>indirect investments<br>and of 36.64% for<br>direct investments).<br><br>This indicator has a<br>coverage of 33,97%<br>for indirect<br>investments and<br>13,73% for direct<br>investments. |  |
|  |  |  | 239 586,70 MWH/€M<br>(NACE H -<br>TRANSPORTATION AND<br>STORAGE)  | 0,007* (NACE H -<br>TRANSPORTATION<br>AND STORAGE)   | The eligibility of this<br>indicator is of<br>68,79% (32,15% for<br>indirect investments<br>and of 36.64% for<br>direct investments).<br><br>This indicator has a<br>coverage of 33,97%<br>for indirect<br>investments and<br>13,73% for direct<br>investments. |  |

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|              |   |  | 78 339,10 MWH/€M<br>(NACE L - REAL ESTATE<br>ACTIVITIES) | 0,002* (NACE L -<br>REAL ESTATE<br>ACTIVITIES) | The eligibility of this<br>indicator is of<br>68,79% (32,15% for<br>indirect investments<br>and of 36.64% for<br>direct investments).<br><br>This indicator has a<br>coverage of 33,97%<br>for indirect<br>investments and<br>13,73% for direct<br>investments.  |   |
| Biodiversity | 7. Activities<br>negatively<br>affecting<br>biodiversity-<br>sensitive<br>areas | Share of<br>investments in<br>investee<br>companies with<br>sites/operations<br>located in or<br>near to<br>biodiversity-<br>sensitive areas<br>where activities<br>of those<br>investee<br>companies<br>negatively<br>affect those<br>areas | 10,54%   | 0,16%*   | The eligibility of this<br>indicator is of<br>40,54% (3,90% for<br>indirect investments<br>and of 36.64% for<br>direct investments).<br><br>This indicator has a<br>coverage of 3,78%<br>for indirect<br>investments and<br>27,35% for direct<br>investments.<br><br>The reported<br>impacts are still<br>awaiting | Based on the<br>lack of<br>standards and<br>reliable data<br>(see column<br>explanation on<br>the left side), as<br>well as the low<br>impact, for 2023<br>BIL has not<br>taken any<br>actions other<br>than efforts to<br>improve data<br>coverage and<br>research, as |

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|       |                       |   |                         |         | methodological harmonisation between third-party data providers, as the current methodologies for taking into account PAI 7 vary from one provider to another. As a result, and given that our coverage of this PAI is currently rather low for indirect investments, the reported impacts on PAI 7 should be viewed with caution. | previously explained in the document. Nevertheless, BIL is pending a methodological harmonisation in order to better assess which mitigation actions might be required to properly address this PAI. |
| Water | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a | 78 675 885,82 tonnes/€M | 401,29* | The eligibility of this indicator is of 41,71% (5,07% for indirect investments and of 36.64% for direct investments). This indicator has a coverage of 0,38% for indirect  | With regard to PAI 8, one underlying investment makes a substantial contribution (31,15%) to the amount  |

|       |                        |                               |                    |        |  |   |
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|       |                        | weighted average              |                    |        | <p>investments and 5,24% for direct investments.</p> <p>The reported impacts are still awaiting methodological harmonisation between third-party data providers, as the current methodologies for taking into account PAI 8 vary from one provider to another. As a result, and given that our coverage of this PAI is currently rather low for indirect investments, the reported impacts on PAI 8 should be viewed with caution.</p> | <p>reported. In 2024, BIL plans to further analyze the reason and possible actions to mitigate this massive impact caused by a single issuer and make efforts to prevent similar impacts to reoccur in the future for this indicator.</p> |
| Waste | 9. Hazardous waste and | Tonnes of hazardous waste and | 2 467,96 tonnes/€M | 11,82* | The eligibility of this indicator is of 50,13% (13,49% for   | Based on this lack of standards and   |

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|  | radioactive waste ratio | radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average |  |  | <p>indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 5,44% for indirect investments and 16,06% for direct investments.</p> <p>The reported impacts are still awaiting methodological harmonisation between third-party data providers, as the current methodologies for taking into account PAI 9 vary from one provider to another. As a result, and given that our coverage of this PAI is currently rather low for indirect investments, the reported impacts on PAI 9 should be</p> | <p>reliable data (see column explanation), as well as the low impact, in 2023 BIL has not taken any actions other than efforts to improve data coverage and research, as previously explained in the document.</p> <p>Nevertheless, BIL is pending a methodological harmonisation in order to better assess which mitigation actions might be required to properly address this PAI.</p> |
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|   |  |  |        |         | viewed with caution.   |   |
| <b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b> |  |  |        |         |  |   |
| Social and employee matters   | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 19,58% | 12,67%* | The eligibility of this indicator is of 42,21% (5,57% for indirect investments and of 36.64% for direct investments). This indicator has a coverage of 5,77% for indirect investments and 19,51% for direct investments. | BIL's investment process excludes companies with serious violations regarding the United Nations Global Compact (UNGC) Principles. Therefore, although BIL also adheres to the UN Guiding Principles on Business and Human Rights and to the OECD's Due diligence guidance for responsible business |

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|  |  |  |  |  |  | <p>conduct, its exclusion methodology does not base itself on the same international instruments chosen by the regulator for this PAI.</p> <p>BIL has nevertheless undertaken efforts in 2023 to improve its coverage for this indicator. Following its efforts to internalize data processing and faced with a lack of data on breaches on these specific international principles and guidelines, BIL</p> |
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|  |  |  |  |  |  | <p>has chosen to go beyond what is required by regulators.</p> <p>For the purposes of calculating this indicator, BIL captured and accounted any “controversy” related to the investee company as a "violation", with no discrimination as to how directly or indirectly connected it may be to these international standards.</p> <p>Nevertheless, BIL will keep seeking to move closer to</p> |
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|  |  |   |        |        |   | the regulatory requirements for this indicator by investigating the possibility of one or more alternative data providers. In 2024, BIL will work to enhance the data behind the calculation and analyse thoroughly the concerned investments. |
|  | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational | 25,96% | 2,77%* | The eligibility of this indicator is of 46,85% (10,21% for indirect investments and of 36.64% for direct investments). This indicator has a coverage of 10,18% for indirect investments and | BIL's investment process excludes companies with serious violations regarding the United Nations Global Compact (UNGC) Principles. Therefore,  |

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|  | Guidelines for Multinational Enterprises | Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises |  |  | 19,30% for direct investments. | <p>although BIL also adheres to the UN Guiding Principles on Business and Human Rights and to the OECD's Due diligence guidance for responsible business conduct, its exclusion methodology does not base itself on the same international instruments chosen by the regulator for this PAI.</p> <p>BIL has nevertheless undertaken efforts in 2023 to improve its coverage for</p> |
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|  |  |  |  |  |  | <p>this indicator. Following its efforts to internalize data processing and faced with a lack of data on breaches on these specific international principles and guidelines, BIL has chosen to go beyond what is required by regulators.</p> <p>For the purposes of calculating this indicator, BIL captured and accounted any “controversy” related to the investee company as a "violation", with no discrimination</p> |
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|  |  |  |  |  |  | <p>as to how directly or indirectly connected it may be to these international standards.</p> <p>Nevertheless, BIL will keep seeking to move closer to the regulatory requirements for this indicator by investigating the possibility of one or more alternative data providers. In 2024, BIL will work to enhance the data behind the calculation and analyse thoroughly the concerned investments.</p> |
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|  | 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | 6,13%  | 4,59%* | <p>The eligibility of this indicator is of 46,76% (10,12% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 3,24% for indirect investments and 10,48% for direct investments.</p> | <p>Given the current limited coverage of this PAI, BIL is not yet able to fully assess what mitigating actions can be undertaken as well as their potential efficiency and overall effects on this indicator. BIL will continue to monitor the evolution of this PAI to evaluate its level of impact and if mitigation actions for it must be prioritized.</p> |
|  | 13. Board gender diversity    | Average ratio of female to male board members           | 16,91% | 6,06%* | <p>The eligibility of this indicator is of 51,40% (14,76% for</p>   | <p>Gender diversity on all levels enhances</p>   |



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|  |  | in investee companies, expressed as a percentage of all board members |  |  | indirect investments and of 36.64% for direct investments).<br><br>This indicator has a coverage of 14,36% for indirect investments and 27,35% for direct investments. | corporate governance, talent attraction and human capital development, which improves value creation. Assessment of board gender diversity is an important component, however given the current limited coverage of this PAI, BIL is not yet able to fully assess what mitigating actions can be undertaken as well as their potential efficiency and overall effects on this indicator. In 2024, BIL will |
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|  |  |  |        |        |   | continue to monitor the evolution of this PAI, and for direct investments, identifying issuers that have an higher adverse impact.   |
|  | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0,068% | 0,01%* | <p>The eligibility of this indicator is of 38,01% (1,37% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 1,29% for indirect investments and 27,35% for direct investments.</p> <p>The reported PAI value can be explained by a slight difference in the definition of “controversial weapons” between</p> | <p>In order to mitigate the exposure to controversial weapons in its investment portfolios, BIL’s exclusion policy is applied.</p> <p>BIL has zero tolerance towards investing in companies involved in controversial weapons activities. This principle applies</p> |

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|  |  |  |  |  | <p>BIL exclusion list and the data provider.</p> <p>to any involvement in the development, testing, maintenance, and sale of anti-personnel landmines, cluster bombs, depleted uranium weapons, chemical weapons, biological weapons, and white phosphorous weapons.</p> <p>In 2024, BIL will continue to apply the exclusion policy on all its direct investments, and is targeting to monitor the evolution of this PAI. BIL will also</p> |
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|   |                   |                                     |                 |                   |   | further analyse the underlying instruments making part of the exposure.  |
|---|-------------------|-------------------------------------|-----------------|-------------------|---|--|
| Indicators applicable to investments in sovereigns and supranationals |                   |                                     |                 |                   |   |  |
| Adverse sustainability indicator                                      |                   | Metric                              | Impact [year n] | Impact [year n-1] | Explanation   | Actions taken, and actions planned and targets set for the next reference period   |
| Environmental   | 15. GHG intensity | GHG intensity of investee countries | 0,0043 TCO2/€M  | 6,34*             | <p>The eligibility of this indicator is of 2,34% (0,00% for indirect investments and of 2,34% for direct investments).</p> <p>This indicator has a coverage of 2,47% for direct investments.</p> <p>BIL is leveraging on publicly available</p> | <p>Given the current limited coverage of this PAI, BIL is not yet able to fully assess what mitigating actions can be undertaken as well as their potential efficiency and overall effects</p> |

|        |   |   |   |               |   |   |
|--------|---|---|---|---------------|---|---|
|        |   |   |   |               | information provided by a third party to calculate this indicator.  | on this indicator. In 2024, BIL will continue to monitor the evolution of this PAI to evaluate its level of impact and if mitigation actions for it must be prioritized.  |
| Social | 16. Investee countries subject to social violations | Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, | - | 1* (absolute) | <p>The eligibility of this indicator is of xxx% (0,00% for indirect investments and of 2,34% for direct investments).</p> <p>This indicator has a coverage of 0,00% for indirect investments and 0,00% for direct investments.</p> <p>BIL is leveraging on publicly available information provided by a third</p> | <p>BIL is not yet able to fully assess what mitigating actions can be undertaken as well as their potential efficiency and overall effects on this indicator. In 2024, BIL will continue to monitor the evolution of this PAI to evaluate</p> |

|  |        | where applicable, national law |                   |                   | party to calculate this indicator. However, in the absence of a clear methodology, BIL was unable to properly exploit the data source to calculate this PAI. BIL is committed to improving its methods in order to report a result for this indicator next year. | its level of impact and if mitigation actions for it must be prioritized |
|--|--------|--------------------------------|-------------------|-------------------|--|--|
|  |        |                                | -                 | 4.76%* (relative) |  |  |
| Indicators applicable to investments in real estate assets |        |                                |                   |                   |  |  |
| Adverse sustainability indicator                           | Metric | Impact [year n]                | Impact [year n-1] | Explanation       | Actions taken, and actions planned and targets set for   |  |

|                   |   |  |       |   |   | the next<br>reference<br>period   |
|-------------------|---|--|-------|---|---|---|
| Fossil fuels      | 17. Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | -     | - | <p>This indicator could not be calculated due to lack of data and scope of PAI calculations for 2023.</p> <p>The eligibility of this indicator is of 0,25% (0,00% for indirect investments and of 0,25% for direct investments).</p> <p>This indicator has a coverage of 0,00% for indirect investments and 0,00% for direct investments.</p> | <p>BIL is not yet able to fully assess what mitigating actions can be undertaken as well as their potential efficiency and overall effects on this indicator. In 2024, BIL will continue to monitor the evolution of this PAI to evaluate its level of impact and if mitigation actions for it must be prioritized.</p> |
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets   | Share of investments in energy-  | 0,27% | - | The eligibility of this indicator is of 0,25% (0,00% for indirect   | BIL is not yet able to fully assess what  |

|  |        | inefficient real estate assets |                   |             | investments and of 0,25% for direct investments).<br><br>This indicator has a coverage of 0,00% for indirect investments and 0,27% for direct investments. | mitigating actions can be undertaken as well as their potential efficiency and overall effects on this indicator. BIL will continue to monitor the evolution of this PAI to evaluate its level of impact and if mitigation actions for it must be prioritized. |
|--|--------|--------------------------------|-------------------|-------------|--|--|
| Other indicators for principal adverse impacts on sustainability factors |        |                                |                   |             |  |  |
| Adverse sustainability indicator   | Metric | Impact [year n]                | Impact [year n-1] | Explanation | Actions taken, and actions planned and targets set for the next reference period   |  |
|  |        |                                |                   |             |  |  |



|                                  |  |  |        |   |   |   |
|----------------------------------|--|--|--------|---|---|---|
| Emissions                        | Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement                    | 32,00% | - | The eligibility of this indicator is of 44,31% (7,67% for indirect investments and of 36,64% for direct investments).<br><br>This indicator has a coverage of 7,72% for indirect investments and 27,35% for direct investments. | BIL's primary objective is to continue closely monitor the development of PAIs. As part of this process, we plan on further improving our data coverage.  |
| Anti-corruption and anti-bribery | Lack of anti-corruption and anti-bribery policies                      | Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption | 0,65%  | - | The eligibility of this indicator is of 42,06% (5,42% for indirect investments and of 36,64% for direct investments).<br><br>This indicator has a coverage of 5,27% for indirect investments and 27,35% for direct investments. | Throughout 2023, BIL continued to perform the monitoring of the companies' policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption. BIL's primary |

|   |  |  |  |  |  |  |
|---|--|--|--|--|--|--|
|   |  |  |  |  |  | objective is to continue closely monitor the development of PAIs. As part of this process, we plan on further improving our data coverage. |
| <p><b>Description of policies to identify and prioritise principal adverse impacts on sustainability factors</b></p> <p>The processes and methods in relation to the PAI consideration and management were integrated in the existing investment related policies of the Bank.</p> <p>These policies were amended and validated by the New Product Committee throughout 2023/early 2024:</p> <ul style="list-style-type: none"> <li>- Sustainability Risk Policy (public policy: <a href="https://www.bil.com/sustainability/politique-risques-durabilite-en.html">https://www.bil.com/sustainability/politique-risques-durabilite-en.html</a>) (Published: 19/12/2023)</li> <li>- SFDR Investment Decision Policy (internal policy) (Published: 27/01/2023)</li> <li>- Responsible Investment Policy (internal policy) (Published: 26/03/2024)</li> </ul> <p>The New Product Committee is a management committee where the Executive Committee representative of the different business lines are permanent members as well as Risk and Compliance function among others. The Committee has the responsibility to approve and monitor any product and service manufactured and/or distributed.</p> <p>The consideration of ESG related criterias when making investments decisions comprises the following principles:</p> <ol style="list-style-type: none"> <li>1. BIL Exclusion :<br/>BIL's Exclusion Policy commits to reducing ESG-related risks exposure to controversial activities by excluding certain sectors or activities that run unsustainable business models. Excluded companies are identified as those presenting unacceptable harm to our society and are ineligible for investment. The exclusion list is based on available information, relies on third-party providers and is updated regularly.</li> </ol> |  |  |  |  |  |  |

## 2. ESG Integration:

ESG integration at BIL means that our investment-decision processes apply ESG non-financial factors as part of the analysis to identify and assess the material risks and growth opportunities. The ESG integration is based on ESG scores. This integration allows us to identify companies that are better equipped to address ESG-related challenges and leverage opportunities related to sustainability and responsible business practices. ESG scores are provided by third-party providers.

For Discretionary Portfolio Management (DPM), ESG factors and risks are considered by using securities/funds that have been already screened and selected by research team. ESG factors are considered into the selection process and comply with BIL's exclusion and integration principles as disclosed in the above-mentioned policies. In addition, based on the information available, the portfolio construction might also take, amongst other factors, ESG factors into account when comparing and contrasting individual securities against each other and in viewing the portfolio as a whole.

BIL's ESG exclusion and integration processes are carried out in the pre-investment phase as well as during the investment timeframe in order to identify sustainability impacts.

The responsibility for the implementation of those policies within the organisation is allocated on the several levels:

As a first line of defence, the Portfolio Manager is responsible for assessing the ESG risks of any security added into portfolios and/or funds he/she is responsible for. He/she will therefore control the ESG-related criteria of the securities as well as its impact on portfolio/fund global ESG characteristics, as well as PAIs. He/she will also monitor on an-ongoing basis the evolution of respective ESG and PAI evolution.

The ESG Officer has as central role in the overview of BIL's responsible investment processes. He/she reports to the Chief Investment Officer and is responsible to make an ex-post control of ESG-related criteria, for any securities/funds added into the BIL Group Investment Universe, as well as monitoring the evolution of portfolio/fund exposure to PAI. In case of disagreement, the ESG Officer can escalate to the Chief Investment Officer and Head of Sustainable Development who has a veto right on any investment decision.

By 30th June each year, BIL as an entity reports on principal adverse impacts as required by SFDR. The ESG Strategic committee oversees BIL's consideration of PAI, evaluates and acknowledges the PAI report.

The ESG Strategic Steering Committee is a strategic cross-functional committee, including the Head of Strategy and Financial Markets\*, the Chief Risk Officer\*, as well as the Head of Sustainable Development. It steers and monitors the ESG Journey of the bank.

The way BIL can practically consider the PAIs as an entity, depends on various aspects such as type of asset class, investment objectives, the type of services and the availability of reliable data, as significant gaps still exist between the level and type of information provided and reported by the

companies on sustainability topics. We are and will be continuously seeking additional ways to consider adverse impacts in a robust and meaningful way.

\*Members of the Executive Committee

#### Margin of error with our methodologies

The calculation of PAI indicators is inherently reliant on the data availability and quality. The data we receive from our data provider is reviewed and assessed for the purposes of data quality control to the extent possible. In this context, the calculations are done on a best-effort basis.

As may be observed in some of the calculated PAI indicators above, the limited data availability for indirect investments, e.g. fund-of-fund investments, poses a severe limitation on the data coverage. While an effort has been made in 2023, BIL is committed in 2024 to continue improving this data availability by further engaging with relevant stakeholders to improve the data quality and availability for indirect investments.

#### Data Sources

The calculation of the PAI indicator was completed on the basis of a range of data, including values, scores and weights sourced from investee companies and third-party data providers. As a summary, the following data sources may be highlighted for the different types of assets:

For investments in investee companies considered as direct investments, the required ESG data was sourced from the ESG Data Provider Refinitiv.

For investments funds considered as indirect investments, the required ESG data was sourced from EET from the ESG Data Provider Refinitiv.

For investments in sovereign and supranationals, the required ESG data was sourced from publicly available data points including the Emissions Database for Global Atmospheric Research (EDGAR) and the 'Varieties of Democracy' (V-Dem).

The external data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes.

More information about the external data sources used is available upon request.

## Engagement policies

As of today, BIL does not engage with investee companies on sustainability-related matters.

Based on Directive (EU) 2017/828 (Shareholder Rights Directive II or SRD II) and the Luxembourg Law of 1 August 2019, for the discretionary management service, BIL has made the choice to not have a dedicated engagement policy and does not consider as such the shareholders engagement in its investment strategy. The reason behind this decision is based on the asset class included in our mandates which are mainly in not listed investment funds. In case of an investment in a listed company, BIL's representation is considered to be minor. BIL will reconsider the approach as soon as its investment strategy will change.

Being committed to combine financial performance with environmental and social responsibility, as well as sound governance practices, our broad priorities are to enhance our competence and knowledge regarding ESG aspects relevant for investment in relation to our products. We are also committed to improving our products to enable our customers to make informed decisions on ESG, in accordance with their preferences, and to be transparent of such aspects and impacts.

## References to international standards

As a signatory to the UNEP FI (UN Environment Programme Finance Initiative) Principles for Responsible Banking and to the UN Global Compact principles, BIL is committed to working towards the goals of the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement.

BIL is a founding member of LuxFLAG, an independent and international non-profit association created in 2006 by private and public founding partners to support sustainable finance. BIL is also a founding member of IMS. IMS, Inspiring More Sustainability, has been the leading network of Luxembourg companies involved in Corporate Social Responsibility (CSR) for more than 10 years.

BIL's corporate social responsibility is independently assessed every three years by the Institut National pour le Développement durable et la Responsabilité sociale des entreprises (INDR – National Institute for Sustainable Development and Corporate Social Responsibility). A label is thus awarded following a two-day audit carried out by a specialised consultancy commissioned by the INDR. On 18 November 2021, BIL was again awarded this label.

BIL also believes in the value of collaborating with other investors. Therefore, BIL actively works in industry associations in order to advance sustainable investing practices. BIL is an active participant for instance on initiatives from the ABBL (the Luxembourg Bankers' Association) related to ESG Financial Markets, ESG Risks, Taxonomy and Labels, Corporate Social Responsibility, Financial Education, and Diversity. BIL is also a signatory to the most stringent charters in terms of corporate social responsibility, the Luxembourg Diversity Charter.

In addition, BIL adheres to voluntary due diligence and reporting standards, including UN Global Compact and GRI's sustainability reporting framework. As such, in 2022 BIL has published its first report according to GRI standards in order to increase the transparency of its impact on the economy, environment and people.

BIL reflects these commitments at Bank level by progressively integrating ESG factors in its financing and investment decision processes. As such, ESG criteria start to be integrated in loan origination processes to progressively decarbonize the Bank's loan portfolios.

As for its investment processes, BIL uses third-party providers to exclude companies with serious violations regarding United Nations Global Compact (UNGC) Principles. BIL is ongoing reviewing his data providers to better source ESG data. The main focus is to internalize the ESG exclusion screening process using best-in-in class data providers.

Although, BIL is firmly committed to actively contribute to the objectives outlined in the Paris Agreement, demonstrating its dedication to achieving net zero carbon emissions by 2050, it is important to recognize that we are still in the early stages of this transformative journey.

As BIL embarks on this transformative path, it is currently in the process of translating its high-level ambition into concrete targets as part of the bank's overall strategy. Additionally, developing a robust methodology and acquiring reliable data to accurately measure our alignment with the Paris Agreement objectives is crucial. BIL has put the priority on defining a climate strategy for its loan portfolios and ambitions to finalise the formalisation of its related Transition Plan by end of 2024.

As of 2023, BIL has not defined specific targets in its investement decision process; indeed the priority is put on having accurate data quality and coverage. ESG integration and excluison process as decsribed above reflect our commitment of addressing ESG aspects and exclude companies that showcase harmfull practices. For 2025, BIL commits to strengthen its risk management processes, including the usage of forward looking climate scenarios (which BIL does not yet use) to better assess the portfolio resilience, notably to climate risks.

Our sustainability roadmap will continue to include the ambition to diagnose and adhere to a selected number of international collaborative statements, dialogues and networks that focus on advancing the practice of responsible investment and sustainable development.

### **Historical comparison**

An historical comparison is virtually impossible given the following changes

- 1- in the scope of the report
- 2- the internalisation of the calculation of PAIs
- 3- the substantial increase in coverage rates for the majority of indicators.

We hope to have better comparability in the future.

# Annex 1:

## Principal Adverse Impact (PAI) Calculations: Assumptions and Methodology

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## 1. CONTEXT AND REGULATION

The Commission Delegated Regulation (EU) 2022/1288 supplements the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (referred to as "SFDR" hereafter) with additional requirements regarding the disclosures applicable to Financial Market Participants (FMPs) and Financial Advisers (FAs). In particular, the Delegated Regulation (referred to as "RTS" hereafter) contains the additional requirements regarding SFDR's Article 4 on disclosure requirements for the Principal Adverse Impacts (referred to as "PAIs" hereafter) on sustainability factors. As an FMP based in Luxembourg with over 500 employees, BIL falls under the requirements of Article 4 of SFDR and needs to publish a statement on due diligence policies with respect to those PAIs as well as report annually at entity level on its investment decisions' PAIs. To address these regulatory reporting requirements under Article 4 of the SFDR and Chapter II ("Transparency about adverse impacts on sustainability factors") of the RTS as well as the European Supervisory Authorities (ESAs) or the European Commission (EC) guidelines<sup>1</sup>, BIL describes in the present document the assumptions and methodology used to calculate the PAI indicators set out in Table I of Annex I of the RTS as well as the two optional additional PAI indicators from Tables II and III, respectively, of the same Annex I. The methodology used by BIL is in line with the RTS and guidelines given by regulators at the time of publication of this document. Assumptions were only taken where the regulation is not yet clear and/or completed by more precise guidelines or does not directly address the specific details of BIL's portfolio and data sources available to compute PAI indicators.

From 2023, BIL internalized its calculations of PAI indicators based on the data received from its ESG Data Provider.

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<sup>1</sup> On the 12<sup>th</sup> of April 2023, the ESAs released a regulatory update regarding the calculations of PAI indicators as a part of the ongoing Consultation Paper to amend the current RTS regulation. These amendments were not considered as a part of the methodology and assumptions of this document. As the consultation period of this draft regulation is still ongoing, it was confirmed by the CSSF that updates contained in this new draft consultation do not yet have the necessary legal empowerment from the EC so that FMPs may fully apply them in their PAI calculations.

## 2. DATA SOURCES

In the calculation of the PAI indicators, BIL requires various input data that is required within the context of the regulatory requirements as outlined by the RTS.

The data sources include:

- 1) **BIL Proprietary Data:** Quarterly DPM portfolio snapshots as well as BIL Invest fund compositions including the asset types (see section 4 below for more information on the scope of calculations).
- 2) **European ESG Template (EET) Extracts:** Except for BIL Invest funds, the ESG data inputs for indirect investments (investments in funds) were sourced from EET extracts. Currently EETs are still only being updated on a yearly basis by market participants. Therefore, the EETs that were available at the extraction date (June 2024) were treated as constant for the annual calculation and no quarterly average could be calculated.
- 3) **ESG Data Provider:** ESG data inputs such as GHG emissions or other financial data inputs such as enterprise value and revenue were obtained from our external ESG data provider, Refinitiv. For investments in sovereigns and supranationals, the required ESG data was sourced from publicly available data points.

Please see below an overview of the ESG data inputs that we used in the calculation of the PAI indicators:

| Data Input                           | Description   | Data Owner                |
|--------------------------------------|---|---------------------------|
| Position Type                        | Position type of the position as defined in the Annex I of this document (Investee Company, Funds, Real Estate, Sovereign, Other).  | BIL                       |
| Position Value                       | Value in EUR of the investment made by the financial product.   | BIL                       |
| Total Value of Positions (Total AUM) | The value in EUR of all investments by the financial market participant.  | BIL                       |
| Total Net Asset (TNA) Value          | Total value of assets of an investee fund used for the calculation of indicators for investee funds.  | BIL                       |
| Currency Exchange Rates              | An exchange rate is the rate at which one currency can be exchanged for another currency. This data was extracted for 31/03/2023, 30/06/2023, 30/09/2023 and 31/12/2023.  | BIL                       |
| Enterprise Value                     | The sum, at fiscal year-end, of the market capitalization of ordinary shares, the market capitalization of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents. | ESG Data Provider and EET |
| Enterprise Revenue                   | Revenue in EUR of the investee company.   | ESG Data Provider and EET |

|  |  |                           |
|--|--|---------------------------|
| Scope 1, 2 and 3 GHG emissions   | Scope of greenhouse gas emissions referred to in subpoints (i) to (iii) of point (1)(e) of Annex III of Regulation (EU) 2016/1011. This data is related to investee companies.   | ESG Data Provider and EET |
| Renewable Energy Use / Supply  | Renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas.   | ESG Data Provider and EET |
| Total Energy Use / Supply  | Energy sources other than those referred to in point (renewable energy sources).   | ESG Data Provider and EET |
| Energy Consumption   | Energy consumption of the investee company, expressed in Gwh.  | ESG Data Provider and EET |
| NACE Code  | Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.  | ESG Data Provider         |
| Biodiversity Impact  | As per the regulation, the impact on biodiversity is measured by investee companies which have 'activities negatively affecting biodiversity-sensitive areas'. This term means activities that are characterized by all of the following: (a) those activities lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated; (b) for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to any of the following Directives or national provisions or international standards that are equivalent to those Directives have been implemented: (i) Directive 2009/147/EC of the European Parliament and of the Council ( 9 ); (ii) Council Directive 92/43/EEC ( 10); (iii) an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council ( 11); (iv) for activities located in third countries, conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards that are equivalent to the Directives and impact assessments listed in points (i), (ii) and (iii). | ESG Data Provider and EET |
| Emissions to water   | Direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council ( 6 ) and direct emissions of nitrates, phosphates and pesticides.   | ESG Data Provider and EET |
| Hazardous waste  | Hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council ( 7 ); 'radioactive waste' means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom ( 8 ).   | ESG Data Provider and EET |
| Violations of UNGC and OECD standards  | No SFDR RTS explicit definition.   | ESG Data Provider and EET |
| Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD standards | No SFDR RTS explicit definition.   | ESG Data Provider and EET |
| Gender Pay Gap   | Difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.  | ESG Data Provider and EET |

|                                   |  |  |
|-----------------------------------|--|--|
| Board gender diversity            | Number of female members at the Board over the total number of members at the Board, where 'board' means the administrative, management or supervisory body of a company.  | ESG Data Provider and EET                                  |
| Controversial Weapons             | Antipersonnel mines, cluster munitions, chemical weapons and biological weapons.   | ESG Data Provider and EET                                  |
| GHG emissions by GDP of countries | Greenhouse gas emissions (GHG) as defined in Article 3, point (1), of Regulation (EU) 2018/842 of the European Parliament and of the Council, divided by the GDP (sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.) | EDGAR - Emissions Database for Global Atmospheric Research |
| Social Violations                 | The Annex to the published proposal for a Directive on corporate sustainability due diligence COM (2022) 71 provides helpful examples of typical social violations that investee countries may be in violation of.   | Varieties of Democracy (V-Dem)                             |

### 3. ASSUMPTIONS AND METHODOLOGY FOR THE CALCULATION OF PAIs

BIL lists below the assumptions taken where the data sources leave room for interpretation compared to the regulation. The PAI calculation is a working document intended to support the reporting exercise. BIL remains the ultimate owner of this report and its content.

#### Assumptions

- General assumptions

| #ID | Description   |
|-----|---|
| A01 | <ul style="list-style-type: none"> <li>When data from the EET extracts for a given underlying investment was blank, it has been considered to be “not covered”. BIL has not developed estimations of the GHG emissions, exposure to fossil fuels etc. of the investee companies or underlying investments of investee funds.</li> </ul>   |
| A02 | <ul style="list-style-type: none"> <li>A value “Blank” in the input data file has been considered “not covered”. However, when a value provided in the input data file is “0”, this has been assumed as a valid data input and thus also used accordingly in the PAI calculations (e.g., considering that for example, it would be valid to have a 0% exposure to fossil fuels).</li> </ul>   |
| A03 | <ul style="list-style-type: none"> <li>EET extracts provide the coverage of PAI values for each investee funds. Due to the limited data availability of EET extracts, the eligibility and/or the coverage of the calculated PAI values for the investee funds sometimes remains empty. When no data is provided on the alignment percentage of the PAI values retrieved from the EET of investee funds, then it is assumed, in a conservative approach that 0% of the investee fund is eligible and/or covered for the calculated PAI indicator.</li> </ul> |
| A04 | <ul style="list-style-type: none"> <li>For the calculation of PAI values expressed as a “weighted average” the RTS indicates that the Enterprise Value must be used to calculate these indicators. For all indirect investments, the TNA value was used as an equivalent to Enterprise Value.</li> </ul>  |

- PAI Indicator Specific Assumptions

| Indicator  | Indicator specific assumptions  |
|--|---|
| Table 1.<br>Indicator 1.4<br>Total GHG emissions | <ul style="list-style-type: none"> <li>The total GHG emissions has been calculated as the sum of Scope 1 GHG emissions, Scope 2 GHG emissions, and Scope 3 GHG emissions rather than relying on the “GHG Intensity of Investee Companies Scope 1, 2 and 3 Value” of the EET files, to maintain consistency between the values of GHG emissions reporting (Total GHG emissions being equal to Scope 1 GHG emissions + Scope 2 GHG emissions + Scope 3 GHG emissions)</li> <li>The same approach has also been taken for the calculation of the total GHG emissions for direct investments, where the sum of Scope 1, 2 and 3 GHG emissions were used for the calculation of this indicator instead of the proprietary data field provided by the ESG Data Provider.</li> </ul> |

This approach was taken in order to avoid confusion in the final PAI Report and to comply with the regulation. If the three scopes of emissions were not summed directly, the total GHG emissions may result in a lower total than the total sum. This is due to the fact that data inputs reported in the EETs and by the ESG Data Provider do not systematically include scope 3 emissions.

- **Assumption linked to PAI categories to determine the eligibility**

| Label from Portfolio snapshot |                                 | Mapping to PAI Category                  |
|-------------------------------|---------------------------------|--|
| BONDS                         | ASSET BACKED SECURITIES         | Investee Companies                       |
| BONDS                         | BONDS POOLFACT.(EXCEPT ABS/MBS) | Investee Companies                       |
| BONDS                         | CONVERTIBLES                    | Investee Companies                       |
| BONDS                         | DEXIA STRUCTURED PRODUCTS       | Investee Companies                       |
| BONDS                         | FRENCH GOV TREASURY BONDS       | Investee Companies OR sovereign exposure |
| BONDS                         | ITALIAN GOV TREASURY BONDS      | Investee Companies OR sovereign exposure |
| BONDS                         | LINEAR BOND                     | Investee Companies OR sovereign exposure |
| BONDS                         | MORTGAGE BONDS (Danish)         | Investee Companies                       |
| BONDS                         | NOT APPLICABLE                  | Investee Companies                       |
| BONDS                         | REVERSE CONV. DBIL (OBLIPLUS)   | Investee Companies                       |
| BONDS                         | STRUCTURED PRODUCT              | Investee Companies                       |
| BONDS                         | TREASURY BONDS/NOTES US/AU      | Investee Companies                       |
| DERIVATIVES                   | STRUCTURED PRODUCT              | Others*                                  |
| DERIVATIVES                   | WARRANTS                        | Others*                                  |
| EQUITIES                      | ADR                             | Investee Companies                       |
| EQUITIES                      | DIVIDEND RIGHT CERTIFICATE      | Investee Companies                       |

|                 |                               |                    |
|-----------------|-------------------------------|--------------------|
| EQUITIES        | GDR                           | Investee Companies |
| EQUITIES        | H-SHARE                       | Investee Companies |
| EQUITIES        | NOT APPLICABLE                | Investee Companies |
| EQUITIES        | PARTICIPATION CERTIFICATE     | Investee Companies |
| EQUITIES        | REIT (REAL ESTATE INV.TRUST)  | Investee Companies |
| EQUITIES        | RIGHTS                        | Investee Companies |
| EQUITIES        | SOCIAL PARTICIPATION          | Investee Companies |
| EQUITIES        | SPONSORED ADR                 | Investee Companies |
| FUNDS           | EXCHANGE TRADED FUNDS (ETF)   | Funds              |
| FUNDS           | FUND                          | Funds              |
| FUNDS           | OPEN-END INVESTMENT TR. DEXIA | Funds              |
| FUNDS           | OPEN-END INVESTMENT TRUST     | Funds              |
| FUNDS           | REIT (REAL ESTATE INV.TRUST)  | Funds              |
| MONEY MARKET    | TREASURY BILLS                | Others*            |
| PRECIOUS METALS | COIN                          | Others*            |
| PRECIOUS METALS | INGOT                         | Others*            |
| NO ISIN         | NO ISIN                       | Others*            |

\* Note that "Other" are assets for which we have considered that PAIs are not existing as per the RTS, i.e., non-eligible assets. In line with the regulation, the value of "Other" has been used in the denominator for calculating all PAI indicators at the Portfolio level.

## Calculation of PAI Indicators using Portfolio Weights

As per the regulatory requirements of the RTS, the PAI calculations were done based on the computation of quarterly weights. This is done by taking the quarterly weights and averaging them over the year as it was clarified in Q&A published by the ESAs on the 17<sup>th</sup> of November 2022. Please see below an illustrative example to show how this was done in the practice:

| BIL AUM      |        |        |        |        |        |        |        |        |        |        |
|--------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Holdings     | Q1     |        | Q2     |        | Q3     |        | Q4     |        | Annual |        |
|              | NAV    | %      | NAV    | %      | NAV    | %      | NAV    | %      | NAV*   | %**    |
| Investment 1 | 10 000 | 21.28% | 13 000 | 27.66% | 11 000 | 26.51% | 9 000  | 20.69% | 10 750 | 24.02% |
| Investment 2 | 20 000 | 42.55% | 18 000 | 38.30% | 14 000 | 33.73% | 17 000 | 39.08% | 17 250 | 38.55% |
| Investment 3 | 5 000  | 10.64% | 6 000  | 12.77% | 5 500  | 13.25% | 4 500  | 10.34% | 5 250  | 11.73% |
| Investment 4 | 12 000 | 25.53% | 10 000 | 21.28% | 11 000 | 26.51% | 13 000 | 29.89% | 11 500 | 25.70% |
| Total        | 47 000 |        | 47 000 |        | 41 500 |        | 43 500 |        | 44 750 |        |

\* Annual NAV is calculated with the following formula: ('NAV Q1' + 'NAV Q2' + 'NAV Q3' + 'NAV Q4')/4 = 'Annual NAV'

\*\* Annual Weight is calculated with the following formula: ('% Q1' + '% Q2' + '% Q3' + '% Q4')/4 = 'Annual %'

In general terms, PAI values of the underlying investments have been weighted against the position weight to calculate the PAI results. Please note there are some nuances as per the requirement to perform a “sum” in the case of specific PAIs such as for GHG emissions. Further details are available in the calculation file and can be provided upon request. Please see below an illustrative example to show how this was done in practice:

| Holdings     | Annual |        | Enterprise Value<br>(M €) | GHG Emissions<br>(Scope 1) | PAI_1*    |
|--------------|--------|--------|---------------------------|----------------------------|-----------|
|              | NAV    | %      |                           |                            |           |
| Investment 1 | 10 750 | 24.02% | 14 285                    | 29 423                     | 22 141.91 |
| Investment 2 | 17 250 | 38.55% | 21 486                    | 1 856                      | 1 490.08  |
| Investment 3 | 5 250  | 11.73% | 83 952                    | 57 518                     | 3 596.93  |
| Investment 4 | 11 500 | 25.70% | 59 254                    | 48 516                     | 9 415.97  |
| Total        | 44 750 |        |                           |                            | 36 644.90 |

\* The formula given by the RTS is applied: ('NAV Annual'/'Enterprise Value') \* 'GHG Emissions (Scope 1)' = 'PAI\_1'



## Calculation of Coverage and Eligibility

Generally speaking, eligibility has been calculated according to the following formula:

| Eligibility Formula                                     | Example for PAI_1  |
|---|--|
| $\frac{\text{Total Eligible Assets}}{\text{Total AUM}}$ | $\frac{\text{Total Assets in Investee Companies}}{\text{Total AUM}}$ |

➔ Specificity for funds :

The eligibility of each fund is specified in the EET. The total eligibility is calculated as the sum of the marginal contributions of the funds in the scope in relation to the total scope of the funds.

See example:

|                      |                    | Total Net Asset value | Total BIL investment in fund | Proportion fund in the BIL funds scope | Eligibility in EET | Eligibility of the BIL PAI |
|----------------------|--------------------|-----------------------|------------------------------|--|--------------------|----------------------------|
| Total funds in scope | Fund A             | 150                   | 40                           | 40%                                    | 90%                | 36%                        |
|                      | Fund B             | 200                   | 30                           | 30%                                    | 80%                | 24%                        |
|                      | Fund C             | 125                   | 10                           | 10%                                    | 50%                | 5%                         |
|                      | Fund D             | 300                   | 5                            | 5%                                     | 20%                | 1%                         |
|                      | Fund E             | 150                   | 15                           | 15%                                    | 60%                | 9%                         |
|                      | <b>TOTAL (SUM)</b> | <b>925</b>            | <b>100</b>                   | <b>100%</b>                            |                    | <b>75%</b>                 |

Similarly, coverage was calculated using the following formula:

| Coverage Formula   | Example for PAI_1  |
|--|--|
| $\frac{\text{Total Assets with ESG data}}{\text{Total Eligible Assets}}$ | $\frac{\text{Total Assets with GHG scope 1 emissions}}{\text{Total Assets in Investee Companies}}$ |

➔ Specificity for funds:

The coverage of each fund is specified in the EET. The total coverage is calculated as the sum of the marginal contributions of the funds in the scope in relation to the total scope of the funds.

See example:

|                      |                    | Total Net Asset value | Total BIL investment in fund | Proportion fund in the BIL funds scope | Eligibility in EET | Eligibility of the BIL PAI |
|----------------------|--------------------|-----------------------|------------------------------|--|--------------------|----------------------------|
| Total funds in scope | Fund A             | 150                   | 50                           | 38%                                    | 75%                | 29%                        |
|                      | Fund B             | 200                   | 25                           | 19%                                    | 50%                | 10%                        |
|                      | Fund C             | 125                   | 30                           | 23%                                    | 60%                | 14%                        |
|                      | Fund D             | 300                   | 15                           | 12%                                    | 70%                | 8%                         |
|                      | Fund E             | 150                   | 10                           | 8%                                     | 55%                | 4%                         |
|                      | <b>TOTAL (SUM)</b> | <b>925</b>            | <b>130</b>                   | <b>100%</b>                            |                    | <b>65%</b>                 |

## Scope of PAI Calculations

In line with the regulatory requirements, BIL Luxembourg reports on PAIs at entity level to comply with the requirements of Article 4 of Regulation (EU) 2019/2088 (SFDR). In this context, an analysis was conducted to assess the composition of BIL Luxembourg's portfolio and how this may affect the PAI calculations.

As such, the calculations includes assets and products that are held by the client within their Discretionary Portfolio Management managed by BIL and excludes assets and products held by the clients under Advisory mandates, "execution only" business service, custody assets, external asset managers, etc.

Moreover, none of the investments conducted by BIL Luxembourg as a Financial Adviser or as "Execution Only" were included in the scope of the PAI calculations.

### Analysis of BIL Portfolio Composition

The quarterly snapshots for FY23 give the following portfolio composition:

| Investee Funds<br>(Indirect) | Investee<br>Companies<br>(Direct) | Sovereign,<br>Supranational &<br>Agencies | Real Estate | Other |
|------------------------------|-----------------------------------|---|-------------|-------|
| 58,00%                       | 36.98%                            | 2.34%                                     | 0.25%       | 2.42% |

Please note that, as outlined in the section above "Data Sources", this means that the data sources used to calculate PAIs are essentially EET extracts since investee funds are the primary composition of the BIL LU.

#### 4. LIMITATIONS FOR THE PAI CALCULATION OF INDIRECT INVESTMENTS (INVESTEES FUNDS)

This section outlines the key points of attention that should be considered with regards to the input data for the PAI calculations of indirect investments (EET files of the investee funds).

##### **Key points of attention**

- The BIL asset portfolio is essentially composed of indirect investments (see section 4 above for more details) which implies that a majority of the PAI calculations cannot be performed using the ESG data for the underlying assets of each investee fund. Therefore, for external funds, the EET extracts where investee funds provide the calculated PAI values of their funds in a numerical and machine-readable format were used to facilitate this process. For in-house funds, the calculation was made on the underlying assets.
- Using the EET extracts to compute PAI indicators for external indirect investments is less accurate than if the direct calculations were done on the underlying assets of each investee fund. However, to do this, BIL would need to extract the exact portfolio composition containing the quarterly snapshots of the holdings of each investee fund. After conducting a feasibility analysis, it was concluded that the BIL portfolio contains 779 different investee funds for which this data would need to be extracted quarterly which would in turn result in more than 3 116 snapshots. Moreover, each of these snapshots would need to be pro-rated to only account for the amount that was invested by BIL into each investee fund. These snapshots would then need to be consolidated into a single aggregated file which would require IT development linked to a substantial financial investment which would impact the cost of “PAI assessment” production.
- After extracting the EET data for all investee funds, it became apparent that the data availability of the input files extracted from the EET is variable. This materially impacts the capability to perform the PAI calculation with high qualitative outcomes.
- The lack of data availability from the EET extracts is linked to multiple reasons including the fact that EET reporting is not a mandatory regulatory requirement but rather a market standard. In addition, not all funds are reporting on all EET data fields that are required (PAI EET data fields 30020-31160 are not mandatory EET fields). This incongruity of how asset managers are completing the EET files on the market leads to a low data availability and quality to calculate PAI values. We expect that as general PAI data availability and EET market practice merge and improve, this data availability for indirect investments will also improve in the coming years.
- There is a significant risk of misinterpretation in the use of these results. For investments in funds, the PAI indicators have a low coverage within the overall BIL portfolio.

### **Other points of attention**

- The data availability of the EET extracts was equally limited regarding PAI values applicable to sovereign and real estate exposures. These PAI indicators were therefore calculated based on the limited data available.

## **5. BEST EFFORT**

BIL did not make use of any estimations or proxies to calculate the PAI indicators and instead considers having performed its PAI calculations on a best effort basis thanks to the following actions:

- Internalisation of PAI calculation
- Look through methodology for BIL Invest Funds under discretionary mandates
- New data provider
- Manual research
- Contact with the fund manager

BIL views the practice of using estimates as being reserved for specific data, where reliable assumptions can be made based on the nature and context of the portfolio and asset composition. BIL will pursue its efforts and improve upon its best-efforts methodology for the coming years.