

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Banque Internationale à Luxembourg, LEI 9CZ7TVMR36CYD5TZBS50

Résumé

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Résumé

Banque Internationale à Luxembourg (LEI 9CZ7TVMR36CYD5TZBS50) prend en considération les principales incidences négatives de ses décisions d'investissement sur les facteurs de durabilité. Le présent document est la déclaration individuelle sur les principales incidences négatives sur les facteurs de durabilité de la Banque Internationale à Luxembourg (BIL) et ne prend pas en compte les effets de ses filiales.

Cette déclaration sur les Principales Incidences Négatives (PIN, « Principal Adverse Impacts » ou « PAI » en anglais) inclut les actifs et produits détenus par le client dans le cadre de sa gestion discrétionnaire de portefeuille gérée par la Banque Internationale à Luxembourg (BIL) et exclut les actifs et produits détenus par les clients dans le cadre de mandats de conseil, de services d'exécution simple, d'actifs en dépôt, de gestionnaires d'actifs externes, etc.

Cette déclaration sur les PIN des décisions d'investissement sur les facteurs de durabilité couvre la période de référence du 1er janvier au 31 décembre 2023.

Cette déclaration décrit la manière dont la BIL prend en compte les PIN de ses décisions d'investissement sur les facteurs de durabilité, et résume ses politiques de diligence raisonnable en matière d'investissement en ce qui concerne les processus associés. Afin de répondre aux exigences réglementaires en matière de déclaration au titre de l'article 4 du règlement (UE) 2019/2088 (SFDR) et du chapitre II du règlement délégué (UE) 2022/1288 de la Commission (RTS), ainsi que d'améliorer le traitement de ses données, la BIL a internalisé le calcul des indicateurs PIN pour la première fois au cours de l'année 2023. La BIL est responsable de la qualité des données présentées dans ce rapport, ainsi que de l'exactitude des calculs. Pour plus d'informations sur les calculs, les hypothèses et la méthodologie utilisées, veuillez vous référer à l'annexe 1 du présent document.

Afin d'améliorer la couverture des données présentée dans le rapport de l'année dernière, la BIL a pris plusieurs mesures concrètes :

- La BIL a procédé à un examen des portefeuilles des fonds BIL Invest et Private One détenus dans le cadre de mandats discrétionnaires et a calculé leurs PIN respectifs sur la base de leurs différents actifs sous-jacents.
- La BIL a conclu un contrat avec Refinitiv – un fournisseur de données ESG (Environnement, Social et Gouvernance) – et a structuré toutes les données ESG fournies dans les bases de données de la BIL.
- Recherche propre : lorsque les données n'étaient pas présentes dans les fichiers de données brutes reçus du fournisseur de données, la BIL a récupéré manuellement les informations à partir de sa plateforme de données, en se tournant vers la société mère si nécessaire. Cette recherche manuelle a permis à la BIL de collecter des données PIN supplémentaires pour 895 ISIN.

En outre, pour les fonds externes signalant une valeur PIN "inhabituelle", la BIL a contacté le gestionnaire afin de comprendre la valeur et, en fin de compte, d'ajuster la valeur PIN déclarée via l'European ESG Template (EET). Dans le cas où nous n'avons pas reçu du gestionnaire un EET ajusté avant la date de publication, la BIL a décidé d'exclure ces instruments (0,17% du champ d'application).

La BIL s'est engagée à mesurer toutes les incidences négatives obligatoires ainsi que deux incidences supplémentaires, que nous estimons importants pour la planète et la société. À cet égard, la politique d'exclusion de la BIL se concentre spécifiquement sur le PIN 10, qui porte sur les violations des principes du Pacte mondial des Nations Unies et des lignes directrices de l'OCDE, ainsi que sur le PIN 14, qui porte sur l'exposition à des armes controversées, reflétant de graves préoccupations éthiques et des dommages durables. Les exclusions sont basées sur l'analyse des normes et des activités controversées de notre fournisseur de données, où les émetteurs sont exclus à la suite de violations répétées et significatives, d'absence de réponse appropriée ou de changement de comportement et de seuils sur les activités controversées.

La composition de portefeuille suivante ressort des captures trimestrielles pour l'exercice de 2023 :

Fonds bénéficiaires des investissements (indirects)	Sociétés bénéficiaires des investissements (directs)	Souverain, supranational & agence	Immobilier	Autres
58,00%	36,64%	2.34%	0.25%	2.76%

L'objectif de la BIL est de suivre de près l'évolution des PIN, avec l'intention de revoir sa position et de procéder à un processus de réflexion dans les années à venir. Ce réexamen comprendra d'éventuels ajustements de l'approche globale à l'égard des PIN ou l'établissement d'objectifs spécifiques Environnementaux, Sociaux et de Gouvernance.

Afin de prendre en compte l'incidence négative sur les facteurs de durabilité, la BIL aborde les PIN de ses investissements sur les facteurs de durabilité par le biais de plusieurs outils d'intégration ESG, tels que des modèles de notation ESG, de l'analyse ESG, des diagnostics d'infraction aux normes et des exclusions d'activités controversées. Les procédures de diligence raisonnable font partie d'un processus d'investissement plus large qui prend en compte la gestion des risques ESG. La BIL recherche en permanence de nouveaux moyens de prendre en compte les incidences négatives de manière solide et significative. La méthodologie utilisée pour l'examen des PIN comprendra de nouvelles améliorations des procédures et processus existants, en se concentrant sur l'élargissement des sources de données des PIN et sur la hiérarchisation et la revue des PIN conformément aux priorités de développement durable de la BIL à l'échelle de l'entreprise. La BIL a mis en place un processus de gouvernance pour garantir la transparence et la clarté des rapports sur les PIN. Le Comité stratégique ESG évalue et reconnaît le rapport PIN et surveille le parcours ESG de la BIL. La BIL veille à ce que ses gestionnaires de portefeuilles d'investissement et ses équipes de recherche soient formés aux questions de développement durable, et à ce que des experts en durabilité soient disponibles pour conseiller sur ces questions.

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
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
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	Throughout 2023 BIL performed the monitoring of

					and of 36.64% for direct investments). This indicator has a coverage of 15,26% for indirect investments and 26,72% for direct investments.	the greenhouse gas emissions indicators in its investment 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). 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
		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).	

					<p>This indicator has a coverage of 13,51% for indirect investments and 25,71% for direct investments.</p>	<p>able to successfully influence the issuers' impacts. We will review our position regularly as our investments evolve.</p>
		<p>Total GHG emissions</p>	<p>601 909,59 TCO2</p>	<p>2 700 125,63*</p>	<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</p>	

					details, see the Annex 1).	
	2. Carbon footprint	Carbon footprint	45 006 901,78 TCO2/€M	774,56*	<p>The eligibility of this indicator is of 51,04% (14,40% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 14,27% for indirect investments and 27,03% for direct investments.</p>	
	3. GHG intensity of investee companies	GHG intensity of investee companies	337,04 TCO2/€M	104,44*	<p>The eligibility of this indicator is of 50,68% (14,04% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 14,32% for indirect investments and 27,03% for direct investments.</p>	

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	5,02%	1,93%*	<p>The eligibility of this indicator is of 49,19% (12,55% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 13,24% for indirect investments and 3,22% for direct investments.</p>	<p>In 2023 BIL made efforts to improve the data processing and calculations. For 2024, BIL 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.</p>
	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	30,49%	<p>3.79%* (consumption)</p> <p>0.59%* (production)</p>	<p>The eligibility of this indicator is of 46,10% (9,46% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 9,96% for indirect investments and 18,34% for direct investments.</p>	

		energy sources, expressed as a percentage of total energy sources			For 2023 statement, we decided to report one combined figure for consumption and production to be consistent with the figures reported for equities and bonds, and funds by our data provider.	In 2023 BIL made efforts to improve the data processing and calculations. For 2024, BIL 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). This indicator has a coverage of 33,97% for indirect investments and 13,73% for direct investments.	
			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). This indicator has a coverage of 33,97% for indirect investments and 13,73% for direct investments.	
			112 889 MWH/€M (NACE C – MANUFACTURING)	0,006* (NACE C – MANUFACTURING)	The eligibility of this indicator is of 68,79% (32,15% for indirect investments and of 36.64% for direct investments). This indicator has a coverage of 33,97% for indirect investments and 13,73% for direct investments.	
			534 457,79 MWH/€M (NACE D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY)	0,022* (NACE D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY)	The eligibility of this indicator is of 68,79% (32,15% for indirect investments	

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

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

					This indicator has a coverage of 33,97% for indirect investments and 13,73% for direct investments.	
			78 339,10 MWH/€M (NACE L - REAL ESTATE ACTIVITIES)	0,002* (NACE L - REAL ESTATE ACTIVITIES)	The eligibility of this indicator is of 68,79% (32,15% for indirect investments and of 36.64% for direct investments). This indicator has a coverage of 33,97% for indirect investments and 13,73% for direct investments.	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-	10,54%	0,16%*	The eligibility of this indicator is of 40,54% (3,90% for indirect investments and of 36.64% for direct investments).	Based on the lack of standards and reliable data (see column explanation on the left side), as well as the low

		sensitive areas where activities of those investee companies negatively affect those areas			<p>This indicator has a coverage of 3,78% for indirect investments and 27,35% 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 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.</p>	<p>impact, for 2023 BIL has not taken any actions other than efforts to improve data coverage and research, as 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.</p>
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Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	78 675 885,82 tonnes/€M	401,29*	<p>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 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</p>	<p>With regard to PAI 8, one underlying investment makes a substantial contribution (31,15%) to the amount 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>
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					investments, the reported impacts on PAI 8 should be viewed with caution.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	2 467,96 tonnes/€M	11,82*	<p>The eligibility of this indicator is of 50,13% (13,49% for indirect investments and of 36.64% for direct investments). 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</p>	<p>Based on this lack of standards and 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</p>

					<p>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 viewed with caution.</p>	<p>better assess which mitigation actions might be required to properly address this PAI.</p>
<p>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</p>						
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%*	<p>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.</p>	<p>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</p>

						<p>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 this indicator. Following its efforts to</p>
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						<p>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 as to how directly or indirectly</p>
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						<p>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>
	11. Lack of processes and	Share investments of in investee	25,96%	2,77%*	The eligibility of this indicator is of 46,85% (10,21% for	BIL's investment process excludes

	compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises			indirect investments and of 36.64% for direct investments). This indicator has a coverage of 10,18% for indirect investments and 19,30% for direct investments.	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 conduct, its exclusion methodology does not base itself on the same international instruments chosen by the
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						<p>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 has chosen to go beyond what is required by regulators.</p> <p>For the purposes of calculating this indicator, BIL</p>
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						<p>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 the regulatory requirements for this indicator by investigating the possibility of one or more alternative data providers. In 2024, BIL will</p>
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						work to enhance the data behind the calculation and analyse thoroughly the concerned investments.
	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</p>

						actions for it must be prioritized.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	16,91%	6,06%*	<p>The eligibility of this indicator is of 51,40% (14,76% for indirect investments and of 36.64% for direct investments).</p> <p>This indicator has a coverage of 14,36% for indirect investments and 27,35% for direct investments.</p>	<p>Gender diversity on all levels enhances 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</p>

						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, 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%*	The eligibility of this indicator is of 38,01% (1,37% for indirect investments and of 36.64% for direct investments). This indicator has a coverage of 1,29% for indirect investments and	In order to mitigate the exposure to controversial weapons in its investment portfolios, BIL's exclusion policy is applied. BIL has zero tolerance

					<p>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 BIL exclusion list and the data provider.</p>	<p>towards investing in companies involved in controversial weapons activities. This principle applies 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</p>
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						apply the exclusion policy on all its direct investments, and is targeting to monitor the evolution of this PAI. BIL will also 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*	The eligibility of this indicator is of 2,34% (0,00% for indirect investments and of	Given the current limited coverage of this PAI, BIL is not yet able to fully

					<p>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 information provided by a third party to calculate this indicator.</p>	<p>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>
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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, where applicable, national law	-	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 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</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>
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					this indicator next year.	
			-	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	

						reference 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-inefficient real estate assets	0,27%	-	<p>The eligibility of this indicator is of 0,25% (0,00% for indirect investments and of</p>	<p>BIL is not yet able to fully assess what mitigating</p>

					<p>0,25% for direct investments).</p> <p>This indicator has a coverage of 0,00% for indirect investments and 0,27% for direct investments.</p>	<p>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>
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). 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). 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>Description of policies to identify and prioritise principal adverse impacts on sustainability factors</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"> - Sustainability Risk Policy (public policy: https://www.bil.com/sustainability/politique-risques-durabilite-en.html) (Published: 19/12/2023) - SFDR Investment Decision Policy (internal policy) (Published: 27/01/2023) - Responsible Investment Policy (internal policy) (Published: 26/03/2024) <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"> 1. BIL Exclusion : 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. 						

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) guidelines¹, 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.

¹ On the 12th 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"> 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.
A02	<ul style="list-style-type: none"> 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).
A03	<ul style="list-style-type: none"> 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.
A04	<ul style="list-style-type: none"> 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.

- PAI Indicator Specific Assumptions

Indicator	Indicator specific assumptions
Table 1. Indicator 1.4 Total GHG emissions	<ul style="list-style-type: none"> 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) 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.

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 17th 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 (M €)	GHG Emissions (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%
	TOTAL (SUM)	925	100	100%		75%

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%
	TOTAL (SUM)	925	130	100%		65%

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 (Indirect)	Investee Companies (Direct)	Sovereign, Supranational & 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.