

SUSTAINABLE INVESTMENT POLICY

1 INTRODUCTION AND SCOPE

Banque Transatlantique Luxembourg has adopted a responsible, long-term approach in which understanding and managing risks are of paramount importance. As such, and as part of a continuous improvement process, this policy is subject to change.

This policy applies to all portfolio management and investment advisory activities of Banque Transatlantique Luxembourg.

Article 2 of the SFDR defines a sustainability risk as “an event or situation in the Environmental, Social, or Governance (‘ESG’) that, if it occurs, could have a significant actual or potential adverse impact on the value of the investment.”

The consideration and assessment of sustainability risks are fully integrated into our investment strategy and processes, notably through the application of our sectoral exclusion policies, the analysis of controversies, compliance with international conventions, the integration of ESG data, and through our engagement policy.

ESG research draws on various external data sources. In particular, the quantitative ESG rating used in the investment process is based on ESG ratings provided by the MSCI ESG Manager platform.

2 EXCLUSION POLICIES

2.1 Sectoral Policies

The Bank is progressively implementing its sectoral policies in line with the principles established by its shareholder, the Crédit Mutuel Alliance Fédérale group. Thus, one of the key commitments of the sectoral policies concerns the regulation of investment activities in sectors with significant environmental and social risks.

This applies in particular to:

- **Companies active in the controversial weapons sector**, such as anti-personnel mines, cluster munitions, depleted uranium, white phosphorus munitions, and chemical and biological weapons,

- **Companies active in the coal-fired power plant sector** and included on the Global Coal Exit List, a list updated annually by the NGO Urgewald,
- **Companies active in the oil and gas sector** whose share of unconventional oil production exceeds a certain threshold.

This list is not exhaustive and may be expanded in the future.

2.2 Compliance with international conventions

Non-compliance with the United Nations Global Compact (“UN Global Compact”) is another reason for exclusion. This is a United Nations initiative aimed at encouraging companies worldwide to adopt a socially responsible approach by committing to integrate and promote several principles relating to human rights, international labor standards, the environment, and the fight against corruption.

Companies involved in one or more controversies related to non-compliance with the UN Global Compact are excluded from our investment universe.

3 **CONTROVERSY ANALYSIS**

Potential investment candidates as well as companies held in the portfolio are subject to constant monitoring to identify significant ESG events that could affect the company’s business model, its reputation, and thus potentially the Bank’s investment thesis. Thus, the Bank receives daily alerts via the MSCI ESG Manager platform regarding any significant controversies affecting the companies in which the portfolios are invested.

The filter is initially based on the controversy classifications assigned by MSCI according to severity (low, moderate, severe, and very severe).

With regard to investment funds, we also monitor these controversies via the MSCI ESG Manager platform and limit exposure to very severe controversies to 5% of the financial instruments held by the fund. Beyond this threshold, the investment fund is considered to be very severely impacted by the controversies.

Assets of companies and investment funds involved in a “very serious” controversy will be removed from the Bank’s investment universe as soon as their status changes. This means:

- **For Portfolio Management**, assets will be sold within a maximum of 6 months. In certain exceptional cases, following an in-depth analysis by the Bank, the asset in question may be retained for an additional 6 months;

- **For investment advisory services** (Advisory Management and Investment Solution Account offerings), the Bank will discuss with the client, within a maximum of 6 months, the sale of controversial positions while respecting the client's decision.

As long as an asset is classified as “very severe” in terms of controversy, it cannot be offered as an investment to our clients.

4 INVESTMENT UNIVERSE

Assets within our recommended investment universe are progressively classified according to a sustainability rating, with the goal of achieving full coverage of our universe. To do this, we rely on analysis from the external data provider MSCI.

To assess a company's ESG risks, MSCI identifies the key risks within the sector to which the company belongs, then evaluates the company's ability to manage the various identified ESG risks relative to its direct competitors. The company that best manages these risks will therefore receive a high score within its sector (the “best-in-class” approach). This non-financial approach compares companies within their own industry to identify those best positioned to address the risks and opportunities associated with sustainable development.

Furthermore, the implementation of sector-specific policies, as well as the analysis and monitoring of controversies, help ensure that investments made meet certain prerequisites established to satisfy the Bank's defined sustainability criteria.

4.1 Selection of individual securities (equities)

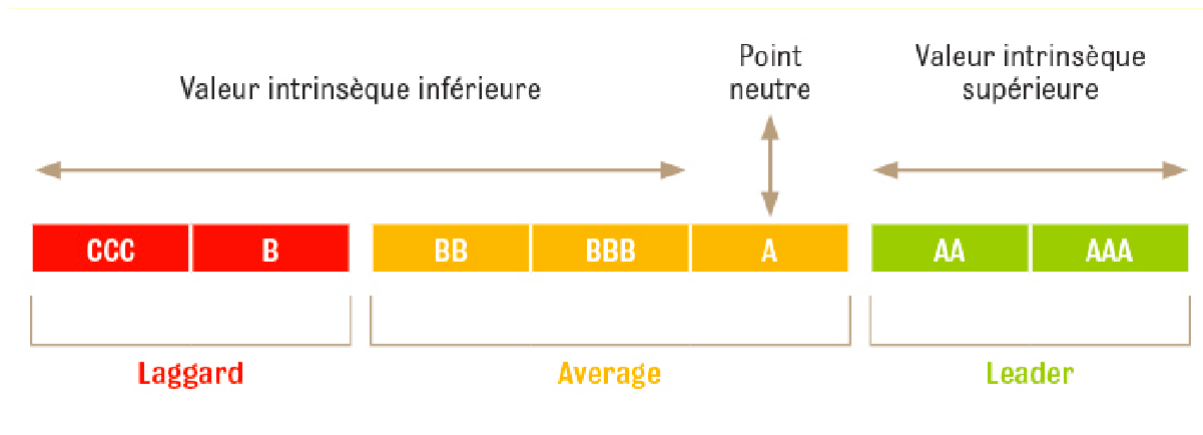
The selection of individual securities is based on the Bank's fundamental approach and its investment research methodology, and incorporates the consideration of non-financial data when assessing risks and opportunities.

Fundamental analysis is at the heart of our investment management approach and enables us to identify and quantify the strength of a company's competitive advantage, as well as assess its long-term potential.

Furthermore, the analysis incorporates risks and opportunities: thus, for a company with an ESG profile classified as

“Leader” (see diagram below), the company's intrinsic value will be higher, whereas a company that is “lagging” (see diagram below) in terms of ESG will have a lower intrinsic value.

The integration of ESG data is based on the ESG ratings established by the data provider MSCI ESG Research⁸ (AAA to CCC), with an A rating considered the neutral point. Companies with an A rating will therefore not see their valuation model modified.



Taking non-financial data into account thus enables more informed investment decisions.

In addition, stock selection is based on fundamental principles:

- A resolutely entrepreneurial approach is prioritized to identify companies that generate high profitability over the long term. This long-term approach, which aims to understand the various aspects of a company before investing—in order to assess all associated risks—is highly complementary to an ESG approach.
- The investment universe comprises companies with transparent operations and a clear business model. The stock selection methodology also focuses on valuation, as the price paid is the primary determinant of an investment's future return.
- Diversification (asset classes, sectors, and geographic regions): portfolio construction focused on combining uncorrelated asset classes, so that the total portfolio risk is less than the sum of the risks of the individual assets (or instruments) that make up the portfolio. This results in minimizing risk per unit of return or maximizing return per unit of risk. In addition, emphasis is placed on the relative valuation levels of the various asset classes.

For **bond selection**, the ESG analysis of private issuers is based on the ESG scores developed by MSCI, as is the case for the equity portion.

Credit analysis compares ratings based on financial data with ESG ratings to identify high-quality issuers. Given similar fundamentals and returns, the management team will favor the issuer with the higher ESG rating.

4.2 Investment Funds

The Bank relies on a selection of funds made by Crédit Mutuel Alliance Fédérale entities based on in-depth qualitative analysis to assess the robustness of the management process.

In addition to **the qualitative analysis** of fund management processes, the study seeks to determine whether the investment fund's management company also adopts a thoughtful, sustainable approach.

As with individual securities, the approach is enhanced **by a quantitative component** conducted by the Bank, which relies on an external rating of investment funds by MSCI ESG that evaluates the various funds based on their ESG risk using the same scale as for individual securities.

In addition, various approaches can also be employed:

- **The thematic approach**, which focuses on a specific objective, such as the environment, water management, or gender diversity, for example;
- **Impact investing**, which aims to generate a positive environmental or social impact. Impact investing is distinguished by the intentionality and measurability of the impact.

The combination of selection by Crédit Mutuel Alliance Fédérale entities and quantitative analysis conducted by the Bank enables the identification of investment funds that demonstrate a strong ability to identify financial risks and opportunities while prioritizing ESG criteria.

The Bank limits the proportion of financial securities rated "in default." Any financial security that falls into the "in default" category is reviewed to determine whether it is appropriate to retain that security in the recommended universe. If the conclusion is negative, the Bank will proceed with or consider divestments within six months, depending on the management strategy.

5 INTEGRATION OF MAJOR NEGATIVE IMPACTS

5.1 Methodology for consideration

The SFDR requires the Bank to report the main adverse impacts of its investments for products subject to this regulation. Currently, the Bank does not market investment products that promote ESG characteristics (classified as Article 8 under the SFDR) or that have a sustainable investment objective (classified as Article 9 under the SFDR).

When the Bank does not take into account the negative impacts of investment decisions on sustainability factors, it publishes clear information on the reasons why it does not do so, indicating whether and when it intends to take these negative impacts into account.

The 18 indicators of principal adverse impacts identified by the regulator, which must be systematically taken into account, are as follows:

1. Greenhouse gas emissions
2. Carbon footprint
3. Greenhouse gas intensity of portfolio companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity by sector with high climate impact
7. Activities with a negative impact on biodiversity-sensitive areas
8. Discharges into water
9. Ratio of hazardous waste to radioactive waste
10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises
11. Absence of processes and mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises
12. Unresolved gender pay gap
13. Gender diversity on boards of directors
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical or biological weapons)
15. Greenhouse gas emissions intensity (for countries)
16. Investment countries subject to social standards violations
17. Exposure to fossil fuels through real estate assets
18. Exposure to energy-inefficient real estate assets

We have grouped these indicators into four categories covering the following themes:

1. climate and the environment (e.g., greenhouse gas emissions, exposure to companies active in the fossil fuel sector...);
2. Waste generation and water resource use (e.g., ratio of hazardous and radioactive waste...);
3. the principles of the United Nations Global Compact (e.g., violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises...);
4. social issues and employee rights (e.g., gender diversity within governance bodies).

For each asset class and each of the above indicators, a threshold set by the Bank determines whether an asset is in line with the Bank's ambitions regarding major adverse impacts. This threshold may be defined as a fixed value (based on European Union recommendations, for example) or as a variable value, based on a geographic average of indicators for similar assets.

For each of these categories, a minimum number of indicators must meet the defined thresholds for the investment to be considered aligned with our ambitions regarding the mitigation of negative impacts on these themes.

On this basis, we limit the negative impacts of our investment decisions while advising our clients on investments tailored to their sustainability preferences.

6 SUSTAINABLE INVESTMENT

Under SFDR regulations, an asset is defined as a “Sustainable Investment” if it meets the following three criteria:

1. Contribute to an **environmental objective**, measured for example using key indicators related to resource efficiency regarding energy use, renewable energy, raw materials, water, and land use; waste generation and greenhouse gas emissions; or impacts on biodiversity and the circular economy; **or** to a **social objective**, in particular an investment that contributes to the fight against inequality or that promotes social cohesion, social integration, and labor relations, or an investment in human capital or economically or socially disadvantaged communities.
2. **Do not cause significant harm** to any of these objectives (Do Not Significantly Harm, “DNSH”).
3. **Apply good governance practices**, particularly with regard to sound management structures, employee relations, compensation for qualified personnel, and compliance with tax obligations.

To determine whether an asset can be considered a “Sustainable Investment,” the Bank considers:

1. The positive contribution to an environmental and/or social objective, measured by the **percentage of revenue aligned with the United Nations Sustainable Development Goals (“SDGs”)**, as provided by the MSCI ESG Manager platform.
2. The implementation of a **DNSH** test, which involves taking into account additional data points (“severe” and “very severe” controversies, activities in certain sectors such as controversial weapons, tobacco, and coal).

An asset that does not have sufficient data coverage (for example, in the case of investment funds whose underlying assets are not rated by MSCI) cannot be considered a “Sustainable Investment.”

3. Having implemented “**good governance**” practices, specifically reflected in the exclusion of assets with an MSCI ESG rating of CCC or B.

MSCI’s ESG ratings are designed to measure companies’ ability to manage ESG risks and opportunities related to their activities and operations. They provide a comprehensive view of companies’ ability to manage resources sustainably, including human capital, to ensure operational integrity based on sound management practices, and to comply with applicable standards, including tax laws.

An MSCI ESG rating of BB or higher generally indicates a company’s ability to manage its resources, mitigate key risks and opportunities, and meet basic expectations regarding corporate governance. The use of MSCI ESG ratings as a baseline measure of “good governance” encompasses the four aspects of good governance practices.

A quantitative assessment combines these criteria for each financial instrument considered by the Bank. For some of these investments, a complementary qualitative and manual approach may be implemented to validate certain results.

The definition of a sustainable asset may vary among stakeholders, depending on the nature of their activities, their methodological choices, or their data sources. By choosing to align with the SDGs, the Bank has adopted a deliberately precautionary approach, which may result in relatively low percentages of sustainable instruments within a portfolio. While these percentages of sustainable assets may appear conservative, they reflect a prudent methodological approach that may evolve over time.

7 OUR MANAGEMENT SOLUTIONS

Our solutions are considered to meet the requirements of Article 6 under SFDR regulations.

7.1 Discretionary management tailored to your profile

In accordance with the MiFID II regulations on the integration of ESG data, the sustainability preferences provided by clients will supplement their investor profile, which is determined primarily based on investment objectives and risk tolerance. This data will thus enable the Bank to offer clients investment guidance that aligns both with their investor profile and with their ESG preferences.

If the client’s ESG requirements are high, the Bank may offer customized management. If the client’s ESG ambitions are very high, there is a significant possibility that the Bank does not have all the compliant financial instruments at its disposal.

We aim for a minimum coverage of 75% of assets by the MSCI ESG Manager (excluding cash and gold), allowing us to achieve a good representation of the portfolio.

In the short term, we aim for a minimum proportion of 5% in sustainable assets, based on the invested portfolio with sufficient data coverage.

Our objective is for the portfolio's average rating to be greater than or equal to A, confirming an above-average ESG positioning. This average rating reflects the weighted sum of the MSCI ESG scores of the various investments, which is then converted into a rating between AAA and CCC, according to the MSCI ESG Manager scale presented above.

We also aim for a minimum proportion of 50% of "responsible" assets, i.e., those with a minimum BBB rating on the MSCI ESG Manager rating scale, with the proportion (50%) determined after excluding assets outside the scope (cash and gold).

7.2 Customized Discretionary Management

Bespoke discretionary management allows for more precise alignment of investments with the investment strategy agreed upon with the client.

The investment strategy combines investment objectives and the level of risk based on the determined investor profile and the customized sustainability preferences provided by the client.

This will allow the management team to tailor investments based on the client's knowledge and experience, financial situation, investment objectives, and sustainability preferences.

Consequently, while the execution of the mandate is primarily based on the recommended investment universe, the selection may deviate from it depending on the mandate's requirements.

7.3 Advisory Management / Investment Solution Account

This type of mandate is classified as Article 6 under SFDR regulations.

Investment advice is generally based on our universe of recommended investments. These securities are progressively classified according to a sustainability rating with the goal of achieving full coverage of our universe, in order to establish recommendations that incorporate ESG risks.

More specifically, the selection of individual securities is based on the Bank's fundamental approach and incorporates the consideration of non-financial data when assessing risks and opportunities, as described above.

In accordance with MiFID II regulations on the integration of ESG data, sustainability preferences communicated by clients will supplement their investor profile, which is determined based on investment objectives and risk tolerance. This data will thus enable us to provide clients with advice that aligns both with their investor profile and with their ESG preferences.

The alignment of ESG preferences within the context of investment advice will be determined in particular based on:

- The impact of the proposed transactions on the overall MSCI score of the client's invested portfolio,
- The proportion of the portfolio represented by assets considered "responsible" and those considered sustainable, and finally,
- Compliance with the client's preferences regarding any major negative impacts they may have expressed.

If the transactions are not considered appropriate in relation to the client's investor profile or ESG preferences, the Bank will notify the client.

If transactions appear inconsistent with the client's expressed ESG preferences, such transactions may still be executed at the client's request and under the client's sole responsibility.