Luxembourg Selection Fund – Active Solar

Sustainability-related disclosures

Summary

Luxembourg Selection Fund – Active Solar (the "Subfund") is an Article 9 financial product for the purposes of Regulation (EU) 2019/2088 ("SFDR"), of which the sustainable investment objective is to contribute to the stabilisation of greenhouse gas concentrations through the avoidance and/or reduction of greenhouse gas emissions.

The Subfund will make a minimum of sustainable investments with an environmental objective of 80% in economic activities that qualify as environmentally sustainable under the EU Taxonomy (Regulation (EU) 2020/852) (the "EU Taxonomy"). In particular, the Subfund's primary environmental objective in the framework of the Taxonomy Regulation is climate change mitigation. The approach adopted by the Subfund is that solar energy is one of the least polluting sources of energy. When power is generated by a solar installation, it reduces the greenhouse gas emissions, because electric power is not generated by a more polluting source of energy. Hence, by investing in companies throughout the solar value chain, the Subfund contributes to the sustainable investment objective of stabilisation of greenhouse gas concentrations.

The Subfund may invest up to 20% of its total assets in other investments, that do not qualify as environmentally sustainable under the EU Taxonomy. The Subfund's primary environmental objective in the framework of the EU Taxonomy is climate change mitigation. From the portion of environmentally sustainable investments, a minimum of 60% of the assets are taxonomy-aligned, which represent a minimum of 48% of the Subfund's total investments.

The Subfund's investment objective aims to achieve long-term capital appreciation through investing in shares of companies whose primary activity is associated with the solar industry. The strategy of the Subfund is to invest in the best companies in the solar sector based on a detailed fundamental analysis and on the exclusion of companies with material ESG risk with respect to the indicators listed below (see section "Investment strategy"). The strategy of the Subfund is not limited to a single type of technology or to a single market. Instead, it seeks to identify the leaders in each of the segments and each of the steps of the value chain to identify suitable investment opportunities that do not significantly harm.

To assess whether the Subfund's investments do no significant harm, the portfolio manager applies the sustainable indicators listed in the "Investment strategy" section. The scoring of these indicators is based on the disclosures of the investee companies. In addition, the portfolio manager screens the target companies against sanctions lists, negative news, and controversies. The portfolio manager uses the results of internal and external assessments to exclude companies perceived to violate key issues related to 'Good Governance', with respect to sound management structures, employee relations, remuneration of staff and tax compliance. Companies violating the United Nations Global Compact (UNGC) principles, which do not demonstrate credible corrective action will be excluded from the investment universe.

The monitoring is made through the detailed analysis of the same sustainability indicators and their evolution over time, which is done at least once a year.

The methodology of a fundamental analysis is applied to all the companies making up the investment universe. This procedure considers both macroeconomic and microeconomic factors and integrates a risk assessment of the companies through a rating of the companies in a scorecard considering the sustainability indicators listed below (see section "Investment strategy").

The portfolio manager uses a variety of different sources to obtain ESG data including from a wide variety of 3rd party data providers, publicly available information and directly sourced from the company. The portfolio manager stores all data collected on his internal servers, with access configured according to the teams' requirements and responsibilities. We may need to rely on estimated data for PAI's calculation such as total GHG emissions scope 1, 2 and 3, carbon footprint, etc. subject to data reported or not by target companies. In that case, the estimated data is provided by our external provider Clarity AI and is derived from their assumptions models such as proxies based on sector averages.

In regards to the limitations to methodologies and data - per the methodologies referred to in the "Methodologies" section below, to measure the attainment of the sustainable investment objective, we produce our ESG internal scores and measure taxonomy alignment based on revenue generated by relevant economic activities. The measurement is based only on reported data. In case of unavailable data, it will affect the overall output as further described below (see section "Limitations to methodologies and data"). The limitations caused by unavailable data is reflected and mitigated by the fact that it does then lower the ESG score and percentage of revenue considered as taxonomy aligned.

Due diligence is carried out on in-house analysis and controls and data providers. Furthermore, engagement is not part of the sustainable investment objective.

The Subfund does not have a designated reference benchmark that is used to measure whether it attains the sustainable investment objective

No significant harm to the sustainable investment objective

To assess whether the Subfund's investments do no significant harm, the portfolio manager applies the 13 sustainability indicators listed in section "Investment strategy". The rating of these indicators is based on the disclosures of the investee companies.

In addition, the portfolio manager screens the target companies against sanctions lists, negative news, and controversies.

The portfolio manager is reporting on PAI in accordance with "ANNEX I" to the Commission Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards and adverse sustainability impacts.

Specifically, the portfolio manager looks at fourteen (14) PAI indicators across categories (see list below). For each indicator there is a metric associated with it that is measured. For example, Total GHG emissions are categorised under scope 1, 2, and 3. Each metric for each company is then weighted according to investment portfolio allocation. This gives the results of the PAI assessment.

The fourteen (14) PAI indicators considered by the portfolio manager are: (1) "GHG" emissions including scope 1, 2 and 3 and Total GHG emissions, (2) Carbon footprint, (3) GHG intensity of investee companies, (4) Exposure to companies active in the fossil fuel sector, (5) Share of non-renewable energy consumption and production, (6) Energy consumption intensity per high impact climate sector, (7) Activities negatively affecting biodiversity- & sensitive areas, (8) Emissions to water, (9) Hazardous waste and radioactive waste ratio, (10) Violations of UN Global Compact principles and Organisation for Economic cooperation and Development (OECD) Guidelines for Multinational Enterprises, (11) Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, (12) Unadjusted gender pay gap, (13) Board gender diversity, and (14) Exposure to controversial weapons (anti - personnel mines, cluster munitions, chemical weapons, and biological weapons).

The additional indicators considered are as follows: GHG intensity, Investee countries subject to social violations, exposure to fossil fuels through real estate assets and exposure to energy inefficient real estate assets.

The portfolio manager analyses if the sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights as follows:

• **Alignment with OECD Guidelines for Multinational Enterprises**

The investee companies of the portfolio must align with these OECD guidelines:

a) Firms should respect human rights in every country in which they operate.
b) Companies should also respect environmental and labour standards and have appropriate due diligence processes in place to ensure this happens.
c) Guidelines include paying decent wages, combating bribe solicitation and extortion, and the promotion of sustainable consumption.

All companies in the Subfund's portfolio must comply with these OECD guidelines. In case of a breach, the portfolio manager will investigate and monitor the situation, and exclude the company if a significant impact on ESG score is confirmed.

• **Alignment with UN Guiding Principles on Business and Human Rights**

The UN Guiding Principles on Business and Human Rights state explicitly that the responsibility of business enterprises to respect human rights applies to all enterprises regardless of their size, sector, operational context, ownership, and structure.

The portfolio manager will monitor the commitment of the underlying companies to the OECD Principles and UN Guidelines and review the allocation of the portfolio accordingly in case the ESG scores are negatively impacted.

In addition to the above, the portfolio manager analyses if the following eight (8) ILO fundamental Conventions are being adhered to by the targeted companies as reflected in their ESG reports:

1. the Forced Labour Convention, 1930 (No. 29);
2. the Abolition of Forced Labour Convention, 1957 (No. 105);
3. the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87);
4. the Right to Organise and Collective Bargaining Convention, 1949 (No. 98);
5. the Equal Remuneration Convention, 1951 (No. 100);
6. the Discrimination (Employment and Occupation) Convention, 1958 (No. 111);
7. the Minimum Age Convention, 1973 (No. 138);
8. the Worst Forms of Child Labour Convention, 1999 (No. 182).

If the above ILO fundamental Conventions are not being adhered to, the company does not pass minimum safeguards and its ESG score is lowered accordingly.

Sustainable investment objective of the financial product

The Subfund has a sustainable investment objective to contribute to the stabilisation of greenhouse gas concentrations through the avoidance and/or reduction of greenhouse gas emissions. In particular, the Subfund's primary environmental objective in the framework of the Taxonomy Regulation is climate change mitigation. The approach adopted by the Subfund is that solar energy is one of the least polluting sources of energy. When power is generated by a solar installation, it reduces the greenhouse gas emissions, because electric power is not generated by a more polluting source of energy. Hence, by investing in companies throughout the solar value chain, the Subfund contributes to the sustainable investment objective of stabilisation of greenhouse gas concentrations.

From an SFDR point of view, no index has been designated as a reference benchmark since no suitable benchmark within the meaning of the Benchmark Regulation is available. For the avoidance of doubt, the benchmark reference as described in section "Management of the Subfund and Benchmark" in the Subfund's supplement of the prospectus is selected for performance fee calculation purposes only in a global equity investment fund context and not for sustainable objectives measurement. The continued effort of attaining the environmental objective of the Subfund is ensured as per described below:

- The Subfund invests in the best companies in the solar sector based on a detailed fundamental analysis;
- The Subfund's portfolio manager seeks to identify the leaders in each of the segments of the solar photovoltaics ("Solar PV") value chain;
- The activities of these companies are altogether needed to install Solar PV;
- Any new Solar PV installations will generate very-low carbon electricity;
- The generated clean electricity is replacing a polluting source of energy (coal or gas) that is already existing or should have been planned to cope with rising demand.

In addition, most of the companies in the Subfund's portfolio are themselves directly emitting low levels of carbon.

Investment strategy

The strategy of the Subfund is to invest in the best companies in the solar sector based on a detailed fundamental analysis and on the exclusion of companies with material ESG risk with respect to the indicators listed below. The strategy of the Subfund is not limited to a single type of technology or to a single market. Instead, it seeks to identify the leaders in each of the segments and each of the steps of the value chain to identify suitable investment opportunities that do not significantly harm as specified in the respective regulations.

The portfolio manager applies a proprietary ESG Risk assessment that combines multiple ESG data sources from internal and recognized external providers to identify companies with material ESG risks. The detailed internal ESG scoring is conducted in house before making any investment decision.

The portfolio manager applies its fundamental analysis to all the companies making up the Subfund's investment universe and integrates a sustainability risk assessment based on the following 13 sustainability indicators:

a) Environmental indicators: Sustainability of supply chain; Energy usage; Water usage; Direct GHG emissions; Global carbon footprint; Waste management.

b) Social indicators: Responsible employer; Health and safety; Impact on communities.

c) Governance indicators: Governance structure; Board of directors; Risk management; Code of ethics.

Each criterion of analysis is graded, and then weighted according to its relative importance in valuing the company. Each company is then given a score that will define its position in the Subfund as per below score cards:

- Score of 0 to +1 = company can be allocated to the portfolio
- Score between -0.5 and 0 can be allocated to the portfolio but company will be removed if it has not improved after a year.
- Score of below -0.5 is excluded from the investments.

In addition, to reach the environmentally sustainable objective of the Subfund, greenhouse gas emissions of investee companies will be measured and will need to decrease over time to reach net zero by 2040. The result of these analyses is then submitted to the investment committee of the portfolio manager who then unanimously decides on the allocation of the Subfund. The analyses are updated as required and the allocation of the Subfund is adjusted accordingly.

The environmental, social and governance (ESG) fundamental analysis and/or screening is applied to 100% of the equity positions of the Subfund's portfolio.

The portfolio manager uses the results of internal and external assessments to exclude companies perceived to violate key issues related to 'Good Governance', with respect to sound management structures, employee relations, remuneration of staff and tax compliance. Companies violating the United Nations Global Compact (UNGC) principles, which do not demonstrate credible corrective action will be excluded from the investment universe.

Proportion of investments

The Subfund's target investee companies are only companies for which the primary activity is across the Solar PV value chain. Therefore, as per definition in Article 2 (17) of SFDR, the Subfund's minimum percentage of sustainable investments with environmental objective is 80% (#1 Sustainable). The Subfund may invest up to 20% of its total assets in other investments (#2 Not sustainable). Amongst the environmentally sustainable investments, 60% of the assets will be taxonomy- aligned (i.e., 48% of the Subfund's total investments).

Monitoring of sustainable investment objective

The monitoring is made through the detailed analysis of the relevant sustainability indicators (see section "Methodologies") and their evolution over time. The analysis and rating of the sustainability indicators is updated at least once a year.

Methodologies

The methodology of a fundamental analysis is applied to all the companies making up the investment universe. This procedure considers both macroeconomic and microeconomic factors and integrates a sustainability risk assessment of the companies.

To measure the attainment of the sustainable investment objective, the portfolio manager

1) calculates the percentage of revenues generated by the two relevant activities for the Solar PV sector:

   1. Electricity generation using solar photovoltaic technology and;
   2. Manufacture of renewable energy technologies.

This calculation is done on a weighted average based on the portfolio allocation (e.g., if an investee company generates 80% of revenues from the “electricity generation using photovoltaic technology” activity and weights 5% of the Subfund’s portfolio, 4% (80% multiplied by 5%) of the Subfund’s portfolio is therefore considered as taxonomy-aligned).

2) applies a proprietary ESG Risk assessment to all the target companies based on the 13 sustainability indicators (see section “Investment strategy”).

This assessment as further described above in section “Investment strategy” leads to an overall ESG score by target company and is included in the overall risk return assessment of each target company which then defines their allocation and weight in the portfolio.

Data sources & processing

(a) The data sources used to attain the sustainable investment objective of the financial product:
The portfolio manager uses a blend of internal and external data as the inputs to its proprietary ESG scoring model and the measurement of taxonomy alignment as follows:

#	Metrics	Definitions	Data sources
1	13 sustainability indicators	6 Environmental indicators, 3 Social indicators and 4 Governance indicators which form part of the fully integrated proprietary ESG scoring model applied to each target company.	• Target companies are listed companies only. Data sourced from their published sustainability reports, ESG reports, CSR reports and Audit financial reports. • Data derived from internal process. • Clarity AI, a sustainability technology platform with extensive data coverage.
2	Taxonomy economic activities	Measurement for each company of the revenue generated from the relevant activities for the Solar PV sector.	Bloomberg in conjunction with data derived from internal processes based on the audited financial statements of the companies
3	DNSH and compliance with minimum safeguards	Measurement of PAI’s and verification against good governance practices	Screening of negative news and controversies through Clarity AI, a sustainability technology platform with extensive data coverage.

(b) The measures taken to ensure data quality:

Due diligence in accordance to the data sourced is performed on each data provider, whether target companies providing their own ESG reports or a selected external provider such as Clarity AI.

The vast majority of the data is sourced from publicly available reports, published by audited listed companies. Furthermore, we corroborate on a continuous basis our internal assessment against data from external providers.

(c) How data are processed:
We store all data collected on our internal servers, with access configured according to the teams' requirements and responsibilities.

(d) The proportion of data that is estimated:
Our ESG scores and taxonomy alignment are calculated on reported data only and any lack of data affects the score accordingly. We may need to rely on estimated data for PAI's calculation such as total GHG emissions scope 1, 2 and 3, carbon footprint, etc. subject to data reported or not by target companies. In that case, the estimated data is provided by our external provider Clarity AI and is derived from their assumptions models such as proxies based on sector averages.

Based on 2023 and 2024 data, out 19 indicators reported on: 10 indicators have 0% estimated data, and 9 indicators have estimated data percentage that varies between 12% and 45%, in particular for GHG emissions, Energy consumption intensity per high impact climate sectors and hazardous waste.

Limitations to methodologies and data

(a) Per the methodologies referred to in the "Methodologies" section above, to measure the attainment of the sustainable investment objective, we 1) produce our ESG internal scores and 2) measure taxonomy alignment based on revenue generated by relevant economic activities. The measurement is based mostly on reported data. In case of unavailable data, it will affect the overall output as follows:

- 1) For the ESG score:

  Unavailable data will affect individual sustainable indicator per company in scope.

  For instance, if no data is available for the water usage indicator of company X, it will trigger a score of -0.5 for that indicator for the company in scope. This low score will affect the overall aggregated ESG score of the company accordingly.
- 2) For the taxonomy alignment: unavailable data on the revenue % of a relevant activity triggers a status of "potentially aligned" which is not included in the taxonomy aligned percentage at portfolio level.

(b) The limitations caused by unavailable data is reflected and mitigated by the fact that it does then lower the ESG score and percentage of revenue considered as taxonomy aligned.

Due diligence

Due diligence is carried out as part of our in-house fundamental analysis of each target company of the portfolio. The portfolio manager team analyses each company at qualitative, quantitative and sustainability level.

Engagement policies

Engagement is not part of the sustainable investment objective.

Information on the proxy voting policy, which will be performed by UBS Asset Management AG, can be found here: https://www.ubs.com/global/en/assetmanagement/capabilities/sustainable-investing.html

Attainment of the sustainable investment objective

The Subfund does not have a specific index designated as a reference benchmark to meet the sustainable investment objective.