



Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph of Regulation (EU) 2020/852

Product name:  
**CLASSIC PROFILED BALANCED FUNDS**  
**HARMONY**

Legal entity identifier:  
**UAIAINAJ28P30E5GWE37**

## Environmental and/or social characteristics

### Sustainable

**investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

☒ ☒ ☐ **Yes**

☒ ☐ ☒ **No**

☐ It will make a minimum of **sustainable investments with an environmental objective: \_\_%**

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ **It promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ with a social objective

☐ It will make a minimum of **sustainable investments with a social objective: \_\_%**

☒ It promotes E/S characteristics, but **will not make any sustainable investments**



## **What environmental and/or social characteristics are promoted by this financial product?**

The discretionary portfolio management (DPM) mandate (hereinafter – the DPM mandate) promotes environmental and social characteristics by evaluating investments against Environmental, Social and Governance (ESG) criteria, and by investing in companies & asset managers' products that demonstrate superior ESG practices.

When selecting financial instruments, BGL BNP Paribas implements a sustainable approach that best combines Environmental, Social and Governance characteristics. The DPM mandate performs its selection among financial instruments with the highest level of ESG integration, targeting financial instruments with an internal extra financial rating of 5 clovers or more (out of 10).

The underlying funds, to which the DPM mandate invests, assess the ESG performance of an issuer against a combination of environmental, social and governance factors which include but are not limited to:

- Environmental: energy efficiency, reduction of emissions of greenhouse gases (GHG), treatment of waste
- Social: respect of human rights and workers' rights, human resources management (workers' health and safety, diversity)
- Governance: Board of Directors independence, managers' remuneration, respect of minority shareholders rights

The DPM mandate has obtained the label LuxFLAG ESG Discretionary Mandate in January 2023.

No index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the DPM mandate.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

## ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The DPM mandate promotes environmental and social characteristics by evaluating all investments against ESG criteria, and by investing in asset managers' underlying products that demonstrate superior ESG practices or activities, while excluding financial instruments not ranked or ranked below 5 clovers according to the proprietary BNP Paribas Wealth Management ESG scoring methodology.



- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable.

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

Not applicable.

***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

Not applicable.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes, this DPM mandate is invested in funds taking into account the principal adverse impacts on sustainability factors.

BGL BNP Paribas S.A. selects for this DPM mandate only UCITS falling under Article 9 or Article 8 of the SFDR Regulation.

This DPM mandate promotes environmental and social characteristics by evaluating all investments against ESG criteria, and by investing in asset managers' underlying products that demonstrate superior ESG practices or activities, while excluding financial instruments or are either not ranked or ranked below 5 clovers according to the proprietary BNP Paribas Wealth Management ESG scoring methodology.

This DPM mandate intends to promote financial instruments that best limit the negative impacts on Environmental, Social and Governance factors altogether. To reach this commitment, this DPM mandate commits to hold financial instruments which take into consideration at least one adverse impact on each of Environmental, Social and Governance pillars.

Information on how principal adverse impacts on sustainability factors were considered will be made available in the periodic reporting by 31 December each year of the DPM mandate.

☐ No



### What investment strategy does this financial product follow?

The DPM mandate will systematically integrate relevant ESG factors into its investment analysis and decision-making processes; by targeting financial instruments with 5 clovers or more, according to the internal proprietary rating methodology.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

BNP Paribas Wealth Management has set up a robust proprietary ESG scoring process (10-clover scale) aiming at rating the sustainability level of financial instruments and services in a consistent way across asset classes.

For equities and bonds: the rating methodology pays specific attention to the way companies manage climate related risks & opportunities, while integrating social dimensions into their action.

The clover score, based on BNP Paribas Asset Management ESG expertise, rates the sustainability of the issuers, taking into account the ESG practices of the company, as well as the ESG criteria of the sector it operates in:

- The issuer score results from a combination of common and sector specific metrics for criteria E (10 metrics per sector on average); S (11 metrics per sector on average) and G (15 metrics per sector)



For Investment Funds / Exchange-Traded Funds (ETFs): the clover score reflects the sustainability level of the management company and the Fund itself. BNP Paribas Wealth Management gathers sustainability information from asset managers, based on a proprietary due diligence questionnaire.

- Funds: more than 130 questions covering 6 areas, either on the management company and/ or the Fund regarding the investment policy, ESG practices and exclusions, voting and engagement policies, transparency, responsibility of the asset management company, sustainable thematic, impact.
- ETFs: 50 questions covering the 6 above mentioned areas
- Open-ended Alternative Investment Funds: covering 7 areas (6 above + 1 specific related to Alternative Investment Funds)

Once available, BNP Paribas Wealth Management will complete its ESG analyses with additional information asset managers & companies will provide to comply with SFDR disclosure regulation (PASI indicators, etc.)

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The investment selection is performed among financial instruments with the highest level of ESG integration, having at least a rating of 5 clovers (out of 10). It relies on a selective approach which excludes some financial instruments based on ESG criteria:

The ESG analysis based on the proprietary ESG methodology must cover at least 90% of the assets of the DPM mandate.

- Exclusion of the financial instruments with the weakest ESG ratings.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable.



**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the policy to assess good governance practices of the investee companies?***

The BNP Paribas Wealth Management ESG scoring framework assesses corporate governance of both the issuers (equities, bonds) and the management companies (funds, ETFs) through a core set of standard key performance indicators (KPIs) for all sectors, supplemented by sector specific metrics:

**\* Consideration of Governance criteria for issuers:**

This assesses the quality of the social dialogue and the transparency of executive compensation, the fight against corruption, the feminization of boards of directors, which refers to the way in which structures are directed, administered, and controlled.

**\* Voting policy & engagement of the management companies**

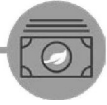
Analysis of the vote, execution and engagement policy of the management company, i.e. its stewardship activity. Engagement is an intensive dialogue with issuers to encourage them to improve their ESG practices. Voting issues are, of course, excluded from bond fund ratings.

**\* Transparency of the management companies**

Analysis of the quality of information provided by the management company on its responsible investment policy, its investment objectives, the investment process itself and the reports produced on the application of this policy, as well as the existence and quality of non-financial reporting per fund.

**\* Responsibility of the management companies**

Analysis of the extent of the management company's responsible approach, both internally (CSR policies, sector policies, ESG integration action plan, the development of investment products targeting a positive environmental or social impact on society etc.) and externally (involvement in local initiatives in the field of sustainable investment).



#### Asset allocation

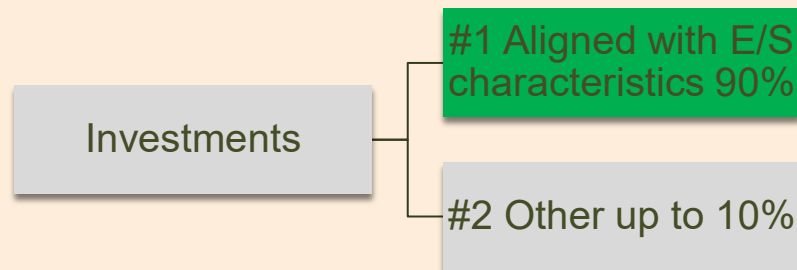
describes the share of investments in specific assets. Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

#### What is the asset allocation planned for this financial product?

The DPM mandate invests in investment funds. In order to meet the environmental and social characteristics promoted, the DPM mandate invests at least 90% of its portfolio in funds that have an ESG score of 5 clovers and more (#1 Aligned with E/S characteristics). Up to 10% of the total investments may not or only partially incorporate environmental or social characteristics.

The DPM mandate is allowed to invest up to 10% of its portfolio in cash, cash equivalents, unscreened investments for which data is lacking and/or hedging instruments (#2 Other).



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

#### ● How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Not applicable.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

This DPM mandate does not currently commit to invest in any sustainable investment within the meaning of the EU taxonomy. This position will however be kept under review as the underlying rules are finalised and the availability of reliable data increases over time.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

☐ Yes:

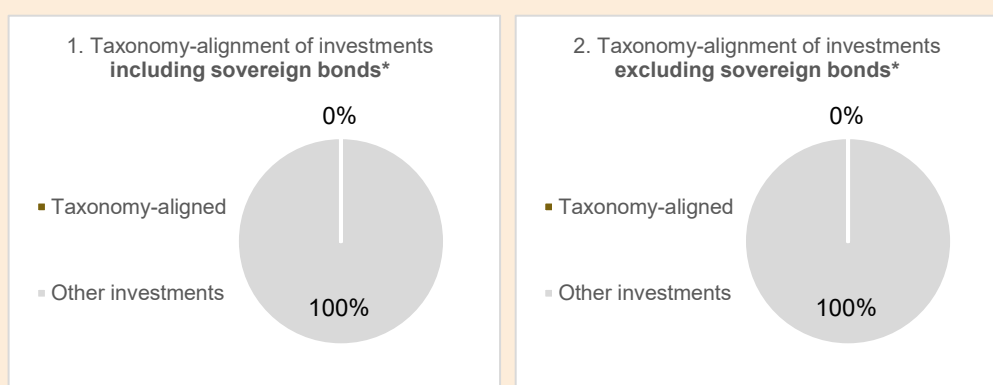
☐ In fossil gas

☐ In nuclear energy

☒ No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.





● **What is the minimum share of investments in transitional and enabling activities?**

As the DPM mandate does not commit to invest any sustainable investment within the meaning of the EU Taxonomy, the minimum share of investments in transitional and enabling activities within the meaning of the EU Taxonomy is therefore also set at 0%.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The DPM mandate promotes environmental and social characteristics but does not commit to making any sustainable investments. As a consequence, the DPM mandate does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

Not applicable.



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

The DPM mandate may invest in cash/cash equivalents and derivatives that are not covered by the ESG analysis and do not contribute to attain the environmental and social characteristics promoted. No minimum safeguards apply to these investments.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:  
[www.bgl.lu/en/official-documents/sfdr.html](http://www.bgl.lu/en/official-documents/sfdr.html).