



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 HARMONY PLUS BALANCED

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 10% 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 Financial Product, being the Classic Profiled Harmony Plus discretionary portfolio management mandate ("the Financial Product"), invests in funds that promote environmental and social characteristics by assessing underlying investments against Environmental, Social, and Governance (ESG) criteria using an ESG internal proprietary methodology. The underlying funds invest in issuers that demonstrate good environmental and social practices, while implementing robust corporate governance practices within their sector of activity.

In order to meet the environmental or social characteristics the Financial Product invests in BNP Paribas Asset Management's Article 9 or Article 8 UCITS and ETFs with a sustainable investment component according to the SFDR Regulation.

The underlying funds 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

Furthermore, the investment manager of the underlying funds promotes better environmental and social outcomes through engagement with issuers and the exercise of voting rights according to its Stewardship policy, where applicable.

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

No reference benchmark has been designated to achieve the environmental or social characteristics promoted by the Financial Product.

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 following sustainability indicators are used to measure the achievement of each of the environmental or social characteristics promoted by the Financial Product:

- the percentage of the Financial Product's portfolio that complies with the Responsible Investment Policy;
- the percentage of the Financial Product's portfolio that is covered by ESG analysis based on the proprietary ESG methodology ;
- the weighted average ESG rating of the Financial Product's portfolio compared to the weighted average rating of the benchmark investment universe;
- the weighted average carbon footprint of the Financial Product's portfolio compared to the weighted average carbon footprint of its benchmark investment universe;
- the percentage of the underlying investment funds portfolio invested in "sustainable investments" as defined in Article 2 (17) of the SFDR.



● ***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?***

With respect to sustainable investments, BGL BNP Paribas selects for the Financial Product only BNP Paribas Asset Management UCITS and ETFs falling under Article 9 or Article 8 with a sustainable investment component as defined in the SFDR Regulation, which aim to finance companies that contribute to environmental and/or social objectives through their products and services and their sustainable practices.

The proprietary methodology incorporates different criteria in its definition of sustainable investments that are considered essential components to qualify a company as "sustainable", and that are complementary to each other. In particular, to be considered as a sustainable investment, a company must derive more than 20% of its revenues from activities aligned with the SDGs. The proportion of the underlying investment funds' investments in economic activities considered by the SFDR as sustainable investments could contribute to the environmental objectives defined in the EU Taxonomy Regulation: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and/or protection and restoration of biodiversity and ecosystems.

The extent to which sustainable investments with an environmental objective correspond to the EU Taxonomy Regulation will be reported in the periodic report of the Financial Product by December 31st each year.

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?***

The sustainable investments that the Financial Product intends to make in part must not significantly impair an environmental or social objective (the "do no significant harm" principle). In this respect, the management company of the underlying funds undertakes to analyse the main negative impacts on sustainability factors taking into account the negative impact indicators as defined in the SFDR Regulation and not to invest in issuers that do not comply with the standards set by the OECD and UN guidelines on business and human rights.



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

The consideration of negative impact indicators will be carried out by BNP Paribas Asset Management, the manager of the underlying funds.

Throughout its investment process, BNP Paribas Asset Management ensures that the underlying investment funds take into account the main negative impact indicators relevant to their investment strategy in order to select sustainable investments for the investment funds by systematically implementing in its investment process the sustainable investment pillars defined in BNP Paribas Asset Management's Global Sustainability Strategy (GSS) and as further detailed below: Responsible Investment Policy, ESG integration; voting policy, dialogue and engagement, Forward-looking vision: the "3Es" (Energy transition, Environmental sustainability, Equality & inclusive growth).

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

Checks to identify issuers that may be in breach of the UN Global Compact Principles, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions referred to in the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights, will be carried out by BNPP AM, the manager of the underlying funds.

This assessment is carried out by BNPP AM's Sustainability Center on the basis of internal analysis and information provided by external experts, and in consultation with the BNP Paribas Group CSR team. In the event of serious and repeated non-compliance with these principles, the issuer is placed on an "exclusion list" and is no longer eligible for investment. Existing investments must be removed from the portfolio in accordance with an internal procedure. If an issuer is considered likely to breach any of the principles, it shall be placed on a "watch list", where appropriate.

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, the Financial Product takes into account the main negative impacts on sustainability factors by selecting only BNP Paribas Asset Management funds that systematically implement the responsible investment pillars defined in the GSS in their investment processes. These pillars are governed by company-wide policies that define criteria for identifying, reviewing, and prioritising, and managing or mitigating negative impacts on sustainability factors caused by issuers.

The Responsible Investment Policy establishes a common framework for all investments and business activities that helps to identify sectors and behaviours with a high risk of negative impacts in violation of international standards. As part of the Responsible Investment Policy, sector policies provide a tailored approach to identifying and prioritising key negative impacts based on the nature of the economic activity and, in many cases, the geographical area in which it is carried out.

The ESG Integration Rules include a series of commitments that are important to mitigate key negative impacts on sustainability factors and guide the internal ESG integration process. The proprietary ESG rating methodology includes the assessment of a number of negative sustainability impacts caused by the companies in which we invest. The outcome of this assessment may have an impact on valuation models as well as on portfolio construction depending on the severity and importance of the identified negative impacts.

Therefore, BNP Paribas Asset Management takes into account key negative sustainability impacts throughout the investment process by relying on proprietary ESG ratings and the creation of a portfolio with an improved ESG profile compared to its benchmark investment universe.

As part of its forward-looking vision, BNP Paribas Asset Management defines a set of objectives and performance indicators to measure how research, portfolios and commitments are aligned with three key themes which have been identified: the "3Es" (Energy transition, Environmental sustainability, Equality) and thus support the entire investment process.

In addition, BNP Paribas Asset Management's Stewardship team regularly identifies negative impacts through ongoing research, collaboration with other investors and dialogue with NGOs and other experts.

Measures to manage or mitigate key negative impacts on sustainability factors depend on the severity and significance of these impacts. These measures are based on the Responsible Investment Policy, the ESG Integration Rules and the engagement and voting policy, which include the following provisions:

- dialogue with issuers to encourage them to improve their environmental, social and governance practices and thereby mitigate potential negative impacts;
- voting at the annual general meetings of portfolio companies to promote good governance and advance environmental and social issues;
- ensure that all securities included in the portfolio are associated with successful ESG research;
- manage portfolios to ensure that their overall ESG rating exceeds that of the relevant index or benchmark universe

☐ No



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

What investment strategy does this financial product follow?

The Financial Product aims to improve its ESG profile and reduce its carbon footprint, as measured by greenhouse gas emissions, relative to its investment universe.

The Financial Product only invests in BNP Paribas Asset Management's Article 9 or Article 8 UCITS and ETFs with a sustainable investment component according to the SFDR Regulation.

The ESG performance of an issuer is assessed in the underlying funds against a combination of environmental, social and governance factors, which include but are not limited to:

- Environmental: global warming and greenhouse gas (GHG) emissions, energy efficiency, natural resource conservation, CO2 emission levels and energy intensity;
- Social: employment management and restructuring, accidents at work, training policy, remuneration, staff turnover and PISA (Programme for International Student Assessment) results;
- Corporate governance: the independence of the board.

Therefore, the equity, bond and alternative underlying funds in which it is invested will be selected primarily on the basis of an assessment of how they take into account Environmental, Social and Governance (ESG) criteria in their investment process.

- ***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 Financial Product shall systematically integrate relevant ESG factors into its investment analysis and decision-making processes;
- The ESG analysis based on the proprietary ESG methodology must cover at least 90% of the assets of the Financial Product;
- The Financial Product has a weighted average carbon footprint reduction of its portfolio of at least 50% compared to the weighted average carbon footprint of its investment universe;
- The Financial Product shall invest a portion of its assets in "sustainable investments" as defined in Article 2 (17) of the SFDR Regulation, as indicated in the asset allocation section below.

- ***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 funds in which the Financial Product invests must follow the following rules of good governance.

Have an ESG rating methodology that assesses corporate governance based on a set of standard key performance indicators for all sectors, complemented by sector-specific indicators.

Governance indicators include but are not limited to:

- separation of powers (e.g. between the CEO and the chairman),
- diversity on the Board of Directors,
- executive remuneration (remuneration policy),
- independence of the Board of Directors and independence of key committees,
- the accountability of directors,
- the financial expertise of the Audit Committee,
- respect for shareholders' rights and the absence of anti-takeover devices,
- the presence of adequate policies (i.e. anti-corruption, whistleblowing),
- tax transparency,
- assessment of past governance incidents.

The ESG analysis goes beyond this to make a more qualitative assessment of how the information in our ESG model is reflected in the culture and activities of portfolio companies.

In some cases, ESG analysts will participate in due diligence meetings (dialogues) to better understand companies' approach to corporate governance.



Asset allocation

describes the share of investments in specific assets.

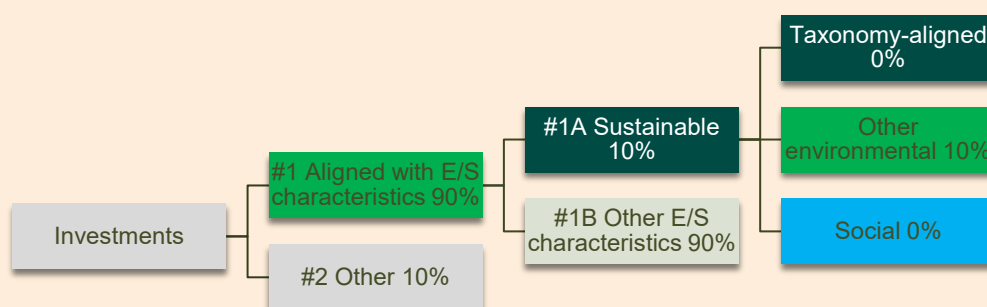
Taxonomy-aligned activities are expressed as a share of:

- **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 minimum proportion of investments aligned with the environmental and social characteristics promoted (#1 Aligned with E/S characteristics) by the Financial Product is 90%.

10% of these investments will be considered sustainable investments (#1A Sustainable). The remainder, i.e. maximum 10%, will consist of cash, cash equivalents and non-filtered investments and will not be aligned with the promoted E/S characteristics (#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.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

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

Not applicable



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.

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

This Financial Product does not currently commit to investing in any environmentally sustainable investments as defined by the EU taxonomy. However, this position will be reviewed as the underlying rules are finalised and the availability of reliable data increases over time.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

☐ Yes:

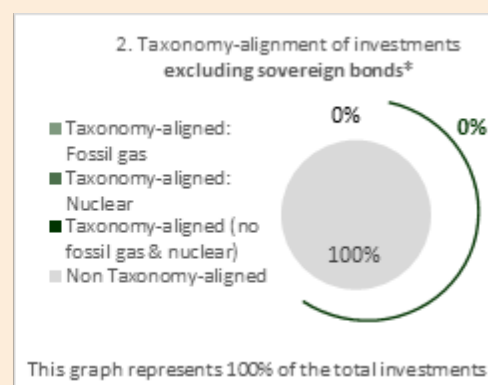
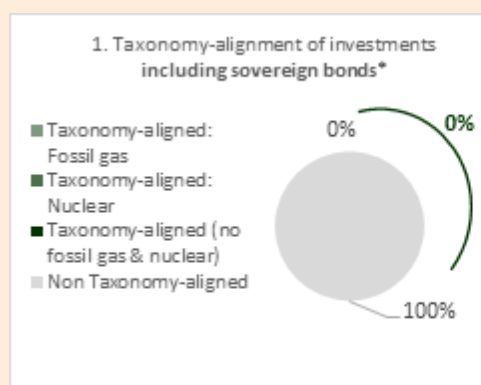
☐ In fossil gas

☐ In nuclear energy

☒ No

¹ 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?**

The minimum share of investment in transitional and enabling activities in the sense of the EU Taxonomy is 0% for transitional activities and 0% for enabling activities.



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

The Financial Product commits to a minimum of 10% of sustainable investments with an environmental objective aligned with SFDR. These investments could be aligned with the EU taxonomy, but the portfolio manager is currently unable to specify the exact proportion of the Financial Product's underlying investments that take into account the EU criteria for environmentally sustainable economic activities. However, this position will be kept under review as the underlying rules are finalised and the availability of reliable data increases over time.



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 remaining proportion of investments may include a proportion of assets that do not meet the following standards set by the Management Company: 1) a positive ESG rating and a positive E or S rating or 2) cash or derivatives that are primarily used for liquidity, efficient portfolio management and/or hedging purposes.

These investments, if any, are made in accordance with our internal processes, including the risk management policy and the Responsible Investment Policy, where applicable.

The risk management policy sets out the procedures necessary for the management company to assess the exposure of each financial product it manages to market, liquidity, sustainability and counterparty risks.



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?

Not applicable

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



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.