



## **Fondation de Luxembourg Socially Responsible Investment Policy (SRI)**

### **1. Introduction and Purpose**

As a public utility foundation and centre of expertise in philanthropy, the Fondation de Luxembourg in Luxembourg is committed to investing its endowment capital in a responsible way. The ambition is to focus on companies that demonstrate high standards and sound practices to mitigate their social and environmental impact. Fondation de Luxembourg is convinced that attention to environmental, social and governance (ESG) factors is a prerequisite for long term value creation.

Further, by aligning the investment policy to the philanthropic mission and core values of the Fondation de Luxembourg, the aim is to strengthen the impact of its activities.

The Fondation de Luxembourg accompanies private individuals and companies in the pursuit of their philanthropic aspirations, by offering them an opportunity to create and manage their personalised foundation under its umbrella. These sheltered foundations borrow the legal personality of the Fondation de Luxembourg for the conduct of their operations, including their investments. In view of this, Fondation de Luxembourg recommends the founders of the sheltered foundations to adopt the same responsible investment policy so as to maintain, as far as possible, a high degree of cohesion between the philosophy of their investments, on the one hand, and the aims pursued by the various sheltered foundations, on the other.

In this Socially Responsible Investment (SRI) policy paper we outline our investment principles and our approach and explain how we manage our SRI investments.

This SRI policy has been approved by the Board of Directors of the Fondation de Luxembourg.

## **2. UN Principles of Responsible Investing (PRI)**

The Fondation de Luxembourg is committed to the UN Principles of Responsible Investing (PRI) for the investment of its endowment.

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will report on our activities and progress towards implementing the principles.

The Fondation actively encourages the founders of the foundations managed under its umbrella to apply this SRI policy, while not imposing it on them against their wishes. Nevertheless, the Fondation de Luxembourg requires that certain minimum standards be adhered to, such as excluding investment in sectors and countries that are acting in contradiction to the philanthropic mission of the Fondation de Luxembourg. These sectors and countries are outlined in section 3 below.

### **3. Socially Responsible Investment Guidelines**

#### Instruments governed by the SRI policy

The Fondation de Luxembourg may in principle invest in all kinds of instruments available on the market within the limits of a sound risk management policy.

The SRI policy applies in particular to the following financial instruments:

- Listed equities
- Non-listed equities and investments
- Bonds issued by governments or companies
- Investment funds
- All structured products with equities or bonds as the underlying security including index-tracking vehicles

Concerning investment funds, the Fondation de Luxembourg favours SRI funds with an ESG label granted by an independent labelling agency (e.g. LuxFLAG, Novethic) or funds with a proven SRI track record. Regarding index-tracking investments, instruments that have a clear ESG focus, such as the Dow Jones STOXX Sustainability Indexes or the MSCI SRI Indexes will be prioritised.

Investment in microfinance and impact funds that proactively seek to generate a measurable positive social or environmental impact, alongside a financial return, is encouraged as a way of furthering the cause of the Foundation's mission.

### Regional considerations

These considerations apply primarily to investments in sovereign debt or in equities or bonds of corporations under State control in countries, which fail to respect human rights and/or pursue policies that are not compatible with the essence of the Fondation de Luxembourg's mission.

As a matter of principle, countries on which the European Union has imposed sanctions (as detailed under the following link) will be excluded:

<https://www.sanctionsmap.eu/#/main>

Note: Some of the countries which appear on the above list are only listed because they are the country of origin of persons on whom sanctions have been imposed and therefore they do not fall within the definition of controversial countries for the purposes of the present SRI Policy.

## Sector considerations

- Focus sectors  
The Fondation de Luxembourg favours investment in:
  - companies that demonstrate appropriate environmental, social and corporate governance (ESG) standards and practices within their sectors;
  - companies disclosing non-financial results, such as carbon exposure;
  - companies that commit themselves to making a meaningful contribution to achieving the UN Sustainable Development Goals (SDGs).
  
- Excluded sectors/ companies\*:
  - armaments manufacture and sale (i.e. the production of equipment intended for military use, regardless of whether these are offensive or defensive weapons);
  - cluster ammunition and nuclear weapons;
  - the pornography production industry;
  - the tobacco industry.

Investments in equities or in bonds issued by companies active in these sectors are excluded.

\*A company is considered as belonging to a particular sector if 5 % or more of its sales are generated by activities directly linked to that sector.

## Methodology and Implementation

The Fondation de Luxembourg works with external investment managers (mainly banks and asset managers based in Luxembourg) for the management of its endowment. The selection of investment managers includes a review of their capabilities in terms of SRI. This review, which is followed up regularly, covers the following aspects:

- SRI products on offer (both in house and externally managed) and the selection procedure
- SRI criteria applied
- SRI screening methodology
- Teams and experience
- UN PRI signatory

Although a substantial level of transparency is requested from the investment manager, it is not the ambition of the Fondation de Luxembourg to perform an additional screening on investments suggested by them.

#### **4. Reporting**

This SRI-policy will automatically apply to all investments forming part of the endowment of the Fondation de Luxembourg itself and also to the foundations sheltered by it, on the condition that the founders of these foundations have subscribed to the principles in this policy.

The Fondation de Luxembourg requests that the investment managers with whom it is working respect the rules and the procedures they themselves have committed to.

In this context, the Fondation de Luxembourg will monitor the investments in terms of their compliance with the standards defined in this SRI-policy. Any incompatibility of an investment with the spirit of this policy will be addressed accordingly.

## Glossary

**SRI** - SRI is an investment process that considers the social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis. SRI portfolios seek to invest in companies with the strongest demonstrated performance in the areas of environmental, social, and corporate governance (ESG) Issues.

**ESG (Environmental, Social, Governance)** - Investment analysis that incorporates environmental, social, and corporate governance factors into the investment process. ESG terminology was developed and promulgated by the United Nations Principles for Responsible Investing (UNPRI).

**Principles for Responsible Investment (UNPRI)** - The United Nations-backed Principles for Responsible Investment Initiative (UNPRI) is a network of international investors working together to put into practice six Principles for Responsible Investment. They reflect the view that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and better align their investment objectives with those of society at large.

**SRI Screening** - A strategy of avoiding investing in companies whose products and business practices are harmful to individuals, communities, or the environment. It is a common mistake to assume that SRI “screening” is simply exclusionary, or only involves negative screens. In reality, SRI screens are being used more and more frequently to identify and invest in companies that are leaders in adopting clean technologies, managing environmental impacts, and integrating exceptional social and governance practices.

**SRI Investment Funds** - SRI mutual funds integrate ESG analysis into the investment process, generally seeking to avoid owning companies with a harmful impact on society, and seeking to own the most responsible companies with the highest profit potential. Such funds may represent any asset class and many different investment strategies, including domestic and international investments.

**Impact Investing** - Investment strategies that provide capital to companies working to generate a financial return along with significant, measurable, societal or environmental benefit.