



Fondation de Luxembourg Socially Responsible Investment Policy (SRI)

1. Purpose

The Fondation de Luxembourg has received an initial endowment from the State and the Oeuvre Nationale de Secours Grande-Duchesse Charlotte enabling it to begin its activities. As an entity established in the general interest, the Fondation de Luxembourg has decided to adopt a policy in favour of the socially responsible management of this capital. That strategy is set out in this SRI Policy.

The Fondation de Luxembourg offers private individuals and companies wishing to engage in philanthropy an opportunity to structure and administer their commitment by hosting it in the form of sheltered foundations. These vehicles borrow the legal personality of the Fondation de Luxembourg for the conduct of their operations, including their investment transactions. The Fondation de Luxembourg aims to serve all kinds of different philanthropic commitments.

In view of this, it recommends the founders of sheltered foundations to adopt the same investment policy so as to safeguard, as far as possible, a degree of cohesion between the philosophy of its investments on the one hand and the aims pursued by the various sheltered foundations in the public interest on the other.

2. Instruments governed by this SRI Policy

The Foundation may in theory invest in all kinds of instruments available on the market within the limits of the authorised risk level.

This SRI Policy applies to instruments of the following types:

- Equities
- Bonds
- All derivatives or structured products with equities or bonds as the underlying items

It does not apply to:

- Funds (however, funds which are deliberately incompatible with any SRI concept, for example “vice funds” or funds specialising in sectors which are either prohibited or controversial in terms of the present policy will be excluded, see below). In general, investments in funds will preferably be made in mutual funds which are listed in the Guide to socially responsible investments in Luxembourg, assembled and published by Etika (see <http://www.etika.lu/spip.php?rubrique48>).
- Futures (on indexes or commodities).
- National index trackers (as in the case of funds, trackers on sectors which are either excluded or controversial will not be acceptable).

3. 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:

http://ec.europa.eu/external_relations/cfsp/sanctions/measure.htm

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

4. Sector considerations

- **Excluded sectors:**

- Armaments manufacture and sale (i.e. the production of equipment intended for military use, regardless of whether these are offensive or defensive weapons),
- The pornography production industry,
- The tobacco/cigarettes production industry.

Investments in equities or in bonds in these sectors are not permitted.

- **Controversial sectors:**

These are sectors of the economy which pursue activities that are controversial for some parts of the society, but whose ethical dimension is not in itself a reason for exclusion. The following sectors are involved:

- GMOs (Genetically Modified Organisms),
- The oil industry,
- The mining industry,
- The nuclear industry,
- Toxic chemical products,
- The gambling sector.

The Foundation may in theory invest in these sectors, but when doing so it must adopt a “Best in Class” approach to companies which have proved their determination and effectiveness in the improvement of their action according to the five assessment parameters set out in Section 5 hereafter.

- **Other sectors:**

Investments are possible in all other sectors of the economy, with the exception of securities linked to companies that are clearly operating in a dubious ethical framework (exclusion approach).

A company is deemed to belong to a particular sector if 5% or more of its sales are generated by activities directly linked to that sector.

5. SRI criteria

The main objective of this document is to attract the attention of the managers of mandates entrusted by the Foundation to the issues raised by an investment policy which might prove incompatible with the general interest aims. In view of this, investments which are genuinely incompatible with the various declared philanthropic aims are excluded. At the same time the intention is to encourage the initiatives of economic or industrial players who are determined to make progress on issues of social commitment.

In respect of securities in which investments are potentially permitted, a rather flexible approach will be applied comprising the three following aspects:

1. **Stringent exclusion of investment sectors or regions**, which are regarded as being incompatible with the philanthropic aims of the Foundation and the notion of sustainable development.
2. **A "Best in Class" approach to potentially controversial sectors** in which market players are nevertheless encouraged to take a degree of responsibility. In this case, reference will be made to the five following criteria on which the enterprises are rated with a grade between 1 and 5 (developed by the Ethibel Forum) in order to evaluate the sustainability merit of particular players:
 - a. **General philosophy of the player in question**
General description of the framework, within which the activity takes place and the context, in which the enterprise in question operates. These general considerations are qualitative in nature.
 - b. **Internal social policy of the enterprise**
Under this heading working conditions, together with the environment and quality of relations at work, will be assessed.
 - c. **Societal policy**
In this context, we will examine the way in which the business contributes to sustainable ecological development focussing on human beings and their wellbeing.

d. **Environmental policy**

e. **Ethical economic policy**

Under this section, the ethical aspects of the economic policy of the companies will be considered.

In practice, operators in these sectors with an "average" or lower rating as well as those receiving the lowest rating in one at least of the criteria above will be excluded.

3. **A policy of exclusion** in the case of securities in non-controversial sectors which are linked to players who are definitely operating in a dubious ethical framework.

In practice, companies in these sectors with a rating below "average" as well as those receiving the lowest rating in one at least of the criteria above will be eliminated.

6. Methodology and database

As for the methodology, if the company which undertakes the investment mandate has access to an SRI Analysis platform (see below) it may refer to it, otherwise the Fondation de Luxembourg will be happy to propose suitable research providers in this area and/or suggest an appropriate basis for analysis.

While many notions of investment are clearly defined and taken into account by the asset management industry, the SRI notion remains unregulated to date and the assessment of this issue by the managers may lack uniformity.

It follows that a manager who wishes to use his internal resources (concepts of “SRI Analysis Centre” and “Adequate Database”) for the management of a mandate which respects this policy must be able to justify in complete transparency his ability to respond to the expectations regarding the analysis of the securities as set out above. In its assessment of this matter, the Fondation de Luxembourg will direct its attention mainly to the following aspects:

- Selection procedures,
- Teams in place,
- SRI products managed by the team/labels obtained for these mandates,
- General reputation of the investment manager on SRI matters.

If a manager is unable to respond satisfactorily to these expectations, the Fondation de Luxembourg would suggest subcontracting the matter:

- Either to Vigeo, against a commission to be defined on the mandate in question with the manager being granted access to an adequate database,
- Or to a subcontractor chosen by the manager who would be subject to the same assessment criteria listed above.

7. Conclusion

This SRI Policy will automatically apply to all investments forming part of the assets of the Fondation de Luxembourg itself and also of the foundations sheltered by it on condition that the founders of these foundations subscribe to the principles set out here.

The main constraint refers to companies in which investments are effected (equities, bonds). The Fondation de Luxembourg makes adequate tools available to the managers who so request, in order to guide their investment policy.

Any doubt as to the compatibility of an investment with the spirit of this policy must be placed before the Management of the Fondation de Luxembourg for an assessment.