

## LuxFLAG ESG Label – Exclusion Policy

This list is applicable as of 03/2021

### List of sectors and activities, in which investments must be excluded:

- 1. Controversial Weapons:** anti-personnel mines, cluster munitions, chemical, biological weapons, white phosphorus, depleted uranium weapons and nuclear weapons.  
*All companies involved in production, sales and distribution must be excluded.*
- 2. Tobacco:** any traditional tobacco products as well as related products (e-cigarettes and next-generation tobacco/nicotine products) and supporting services (filters, smoking halls, etc).  
*All companies involved in production having an annual turnover above 5% must be excluded.*  
*All companies involved in sales and distribution having an annual turnover above 15% must be excluded.*
- 3. Nuclear Energy:** Uranium extraction, uranium concentration, refining, conversion and enrichment, the production of nuclear fuel structures, construction and use of nuclear reactors, treatment of spent nuclear fuel, nuclear decommissioning and radioactive waste management.  
*All companies involved in production, sales and distribution having an annual turnover above 5% must be excluded<sup>1</sup>.*

Compliance with this specific exclusion is on hold and monitored closely further to the EU Commission's Q&A, issued in April 2021, after the introduction of the LuxFLAG exclusion list.

*NB: see footnote 1 below for further information about the current status of this exclusion.*

- 4. Controversial behaviour:** Applicant Investment Funds should take into consideration the United Nations Global Compact (UNGC)<sup>2</sup> 10 principles encompassing human rights, labour, environment, anti-corruption and/or OECD Guidelines for Multinational Enterprises<sup>3</sup> and/or equivalent internationally recognised standards to assess the behaviour of companies. An engagement process shall be undertaken with companies that have significant breaches of these principles and guidelines. If this engagement does not lead to the desired change in a period of two years from the start of the engagement, the applicant fund must exclude a company from its investment universe.
- 5. Controversial Jurisdictions:** Investments issued by or mainly listed in countries, companies or related to individuals or other entities in a particular country identified and as specified in the United Nations Security Council Sanctions<sup>4</sup> and those high risk jurisdictions subject to a "Call for Action" (currently Iran and North Korea) identified by the Financial Action Task Force<sup>5</sup>.

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<sup>1</sup> Given treatment of nuclear energy in the EU Taxonomy is still under discussion, LuxFLAG might revisit its nuclear exclusion once those discussions are finalised.

<sup>2</sup> <https://www.unglobalcompact.org/what-is-gc/mission/principles>

<sup>3</sup> <http://mneguidelines.oecd.org/guidelines/>

<sup>4</sup> <https://www.un.org/securitycouncil/sanctions/information>

<sup>5</sup> <https://www.fatf-gafi.org/home/>

**List of sectors and activities, investments in which applicants shall consider further engagement with investee companies or develop appropriate exclusion mechanisms**

In consideration of the progressive nature of sustainable transition, in case the applicants invest in companies with exposure to the following sectors, they are encouraged to consider dedicated engagement or developing their exclusion policies over time to exclude or establish revenue thresholds for companies active in the following sectors.

1. Alcohol
2. Gambling
3. Drugs (exceptions apply for medical and industrial purposes)
4. Adult entertainment
5. Fossil fuels

LuxFLAG reserves the right to update its exclusion policy at a regular interval as the market evolves.