Appendix 1

LuxFLAG Environment Label

Eligibility Criteria

In order to obtain a LuxFLAG Environment Label, an Applicant Investment Fund must comply with the following Eligibility Criteria set by LuxFLAG. The principal conditions are that the Applicant Investment Fund must:

1. Have a portfolio of investments in environment-related sectors corresponding to at least 75% of the Applicant Investment Fund’s total assets. Accordingly, 25% of total assets may be retained in the form of cash, liquid assets or other investments.

2. Incorporate Environment, Social and Governance (ESG) considerations in the investment decision making process.

3. Seek a return on investment.

4. Comply with the following legal and governance criteria:
   - Take the form of a distinct legal entity or of a fund under collective management.
   - Segregate the functions of custody and asset management.
   - Regularly report and publish audited financial and other information for investors (Minimum annual reporting).
   - Apply the principle of risk diversification.

5. (i) The Applicant Investment Fund must be subject either to supervision in a EU Member State or to supervision equivalent to that in EU Member States; or
   (ii) If the Applicant Investment Fund itself is not regulated:
      a. It must have a custodian that must be subject to supervision equivalent to that in EU Member States.
      b. If applicable, its manager must be subject to supervision equivalent to that in EU Member States.

LuxFLAG reserves the right to independently assess and evaluate the Applicant Investment Fund’s compliance with the above Eligibility Criteria.

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1 Environment related sectors as defined in a globally recognised classification system such as: the FTSE Environmental Markets Classification System or the HSBC Climate Change Structure, etc.

2 For compliance with this criterion, the following considerations apply:
   - A company is considered an environmental company when its turnover in environment-related sectors corresponds to at least 20% of its total turnover.
   - The portfolio of investments in environmental companies weighted by the proportion of turnover of each company in environment-related sectors must correspond to at least 33%.
   - Allowance may be made in the calculations of 75% threshold if the portfolio of investments in environmental companies weighted by the proportion of turnover of each company in environment-related sectors is above 50%.
   - In the specific case of a Fund providing credit funding directly or indirectly to companies or other beneficiaries, the 75% threshold should refer to the proportion of qualifying environmental investments in the total portfolio.
   - Committed investments may be considered in the calculation of the 75% threshold.

3 Allowance may be made in this calculation under certain exceptional circumstances (including, but not limited to market constraints, portfolio or capital reorganizations,) for balances of cash or cash equivalents which are temporarily unusually high. The Applicant Investment Fund must duly justify the application of the allowance to the calculation.

4 For compliance with this criterion, Applicant Investment Funds must set out their process for ESG incorporation through the investment process (e.g. research, portfolio construction, monitoring). This may include their involvement and commitment to relevant associations such as the UN backed Principles for Responsible Investment (PRI).

5 Entities specialised in risk capital may be exempted from this criterion.