



This product is classified as Article 8 under SFDR regulation (EU) 2019/2088

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## **Product name:** BNY Mellon Long-Term Global Equity Fund

**Legal entity identifier:** 21380054NDC4BXEMBP84

### Summary

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

This Sub-Fund intends to promote good Environmental, Social & Governance (ESG) practices or characteristics through deliberately avoiding investment in companies with below threshold ESG credentials as defined by the Investment Manager. Environmental and social credentials considered include the themes detailed below:

#### Environmental

- Greenhouse gas emissions
- Biodiversity and natural resources
- Climate and transition risks
- Pollution and waste management

#### Social

- Business ethics, bribery and corruption
- Data privacy and security
- Labour practices and human rights safeguards
- Diversity, equality and inclusion

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

#### Information on:

(i) the investment strategy used to meet the environmental or social characteristics promoted by the Sub-Fund and the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance;

(ii) the proportion, if any, of the investments of the Sub-Fund in sustainable investments including, where relevant, the proportion of investments with direct exposure in investee entities and all other types of exposure to those entities;

(iii) a description of how the environmental or social characteristics promoted by the Sub-Fund and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the Sub-Fund are monitored throughout the lifecycle of the Sub-Fund and the related internal or external control mechanisms and the methodologies used to measure how the social or environmental characteristics promoted by the Sub-Fund are met;

(iv) a description of the data sources used to attain each of the environmental or social characteristics promoted by the Sub-Fund, the measures taken to ensure data quality, how data are processed and the proportion of data that are estimated ; and

(v) any limitations to the methodologies and data used and how such limitations do not affect how the environmental or social characteristics promoted by the Sub-Fund are met.

is provided in the accompanying Full SFDR Website Disclosure document.

The Full SFDR Website Disclosure also provides a description of the due diligence carried out on the underlying assets of the Sub-Fund including the internal and external controls on that due diligence.

Engagement is not part of the environmental or social investment strategy and there are no management procedures applicable to sustainability-related controversies in investee companies.

## No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

However, the Sub-Fund commits to investing 5% of Net Asset Value in SFDR Sustainable Investments.

The Sub-Fund's investments that meet the minimum revenue threshold, as previously described, are then screened against a number of principal adverse impacts (PAIs) indicators for 'do no significant harm' (DNSH), including, but not limited to, the mandatory indicators included in Table 1 of Annex 1 as further detailed in Section "How have the indicators for adverse impacts on sustainability factors been taken into account?"

When taking into account the indicators for adverse impacts on sustainability factors where possible, each indicator in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I is either considered versus a sector median or absolute threshold for all companies that meet the percentage revenue threshold to qualify as a sustainable investment. For quantitative indicators, a flag is raised if the designated threshold for sector median is surpassed. For other indicators, a flag is raised for a below threshold response. In such instances, further analysis is undertaken to deem whether the investment does no significant harm and therefore is in fact a sustainable investment under SFDR. It should be noted that while each indicator in Table 1 of Annex I is considered, it is not possible to calculate the carbon footprint of each potential sustainable investment as envisaged in Annex I.

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 fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights (the "Responsible Business Practices") collectively cover a very broad range of areas of responsible business, encompassing everything from labour rights to consumer protection to support for internationally recognised human rights within a company's or issuer's sphere of influence. SFDR Sustainable investments are considered aligned with the Responsible Business Practices unless they do not pass specific Human Rights, Labour, overall controversy, and tax compliance screens which either directly cover one or more of the Responsible Business Practices or are considered an appropriate proxy for one or more of the Responsible Business Practices.

## Environmental or social characteristics of the financial product

This Sub-Fund intends to promote good Environmental, Social & Governance (ESG) practices or characteristics through deliberately avoiding investment in companies with below threshold ESG credentials as defined by the Investment Manager. Environmental and social credentials considered include the themes detailed below:

### Environmental

- Greenhouse gas emissions
- Biodiversity and natural resources
- Climate and transition risks
- Pollution and waste management

### Social

- Business ethics, bribery and corruption
- Data privacy and security
- Labour practices and human rights safeguards
- Diversity, equality and inclusion

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

## Investment strategy

The investment strategy followed by this Sub-Fund consists of a long term and bottom-up, fundamental driven, integrated ESG approach based on the compounding of returns and aims to invest in companies generating strong internal rates of return, available at reasonable purchase prices. The product aims to promote good ESG practices through deliberately avoiding investment in companies with below threshold ESG credentials. In general, the Sub-Fund's portfolio will be comprised of companies that embrace high standards of ESG practice or are attractive due to their progression in environmental & social practice and exhibit good governance. Stewardship, in terms of engagement and proxy voting, is an integral part of the Investment Manager's approach to investing.

In identifying investments, the Investment Manager will specifically determine whether an issuer engages in sustainable business practices and satisfies the Investment Manager's ESG Criteria. The Investment Manager considers whether the issuer (i) engages in such practices in an economic sense (e.g. the durability of the issuer's strategy, operations and finances), and (ii) takes appropriate account of the economic, political, governance and regulatory environment in which the issuer operates, which includes assessment of an issuer's environmental, social and/or governance practices.

Good governance practices of the investee companies are assessed through qualitative and quantitative analysis.

The Sub-Fund invests in companies that the Investment Manager considers to have high standards of governance. Companies are assessed and monitored across those governance factors considered material to their operations. These will include, but are not limited to:

- Sound management structures
- Remuneration of staff
- Employee relations
- Tax compliance

These governance pillars are supported with data points from a third party provider and internally set thresholds. If any data point flags, further analysis, comment and a conclusion as to whether the company meets the acceptable standard for good governance is required.

The binding elements of the investment strategy used to select investments to attain each of the environmental or social characteristics promoted by the Sub-Fund are:

The binding elements of this Sub-Fund's investment strategy shall include:

- Excluding companies found to have violated the UN Global Compact;
- Excluding securities issued by entities which produce controversial weapons;
- Adopting a policy of making no direct investment in (a) companies that derive more than 10% of annual turnover from the production of tobacco; (b) companies that derive more than 10% of annual turnover from investment in oil and gas exploration and production from the Arctic region; and (c) companies that derive more than 10% of annual turnover from thermal coal extraction or generation.

## Proportion of investments

The asset allocation diagram is intended to illustrate the planned asset allocation of this Sub-Fund and to reflect the minimum investments referred to elsewhere in this annex. A minimum of 75% of Net Asset Value will be used to meet the environmental or social characteristics promoted by the Sub-Fund in accordance with the binding elements of the investment strategy. The Sub-Fund is committed to investing a minimum of 5% of Net Asset Value in SFDR Sustainable Investments which may have an environmental or social objective, but the asset allocation between environmental and social objectives is not fixed and as such, the Sub-Fund does not commit to invest a minimum percentage of Net Asset Value in SFDR Sustainable Investments which have specifically an environmental objective or specifically a social objective.

At least 90% of the NAV of this Sub-Fund (net of the exposure to cash and liquid near cash assets, money market funds, currency related financial derivative instruments and FDI used for hedging purposes, (the "Non-ESG Assets")) must meet the "ESG Criteria" at time of purchase and on an ongoing basis. For the avoidance of doubt, the Non-ESG Assets are not required to meet the ESG Criteria.

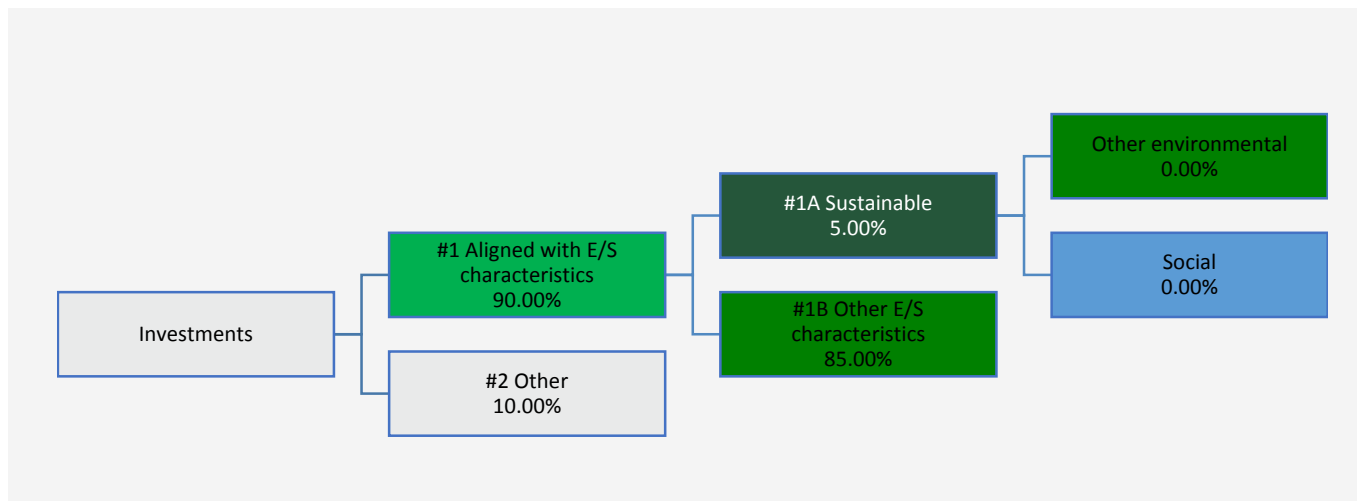
There is no minimum share of sustainable investments with a social objective. The Sub-Fund will invest a minimum of 5% of NAV in sustainable investments, it is anticipated that this is likely to include 4% of NAV in sustainable investments with a social objective but this may not be reflective of how the Sub-Fund is invested at any particular time.

There is no minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy. The Sub-Fund will invest a minimum of 5% of NAV in sustainable investments, it is anticipated that this is likely to include 1% of NAV in sustainable investments with an environmental objective that are not aligned with the EU Taxonomy but this may not be reflective of how the Sub-Fund is invested at any particular time

Where the Sub-Fund invests in SFDR Sustainable Investments with an environmental objective, such investments will not be Taxonomy-aligned. This is because the Investment Manager does not currently take into account the EU Criteria for Environmentally Sustainable Economic Activities in determining whether economic activities contribute to an environmental objective or not.

This Sub-Fund may also hold on an ancillary basis 10% of NAV maximum in cash and liquid cash assets, money market funds, and currency-related financial derivative instruments. The Sub-Fund is generally invested so that cash sits well below 10%. There are no minimum environmental or social safeguards associated with these investments.

Derivatives are not used to attain the environmental or social characteristics promoted by the Sub-Fund.



#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.

## Monitoring of environmental or social characteristics

Monitoring and oversight of the environmental and social characteristics promoted by the Sub-Fund are undertaken by way of a regular review in an internal governance forum.

Sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by the Sub-Fund. The Sub-Fund will use a number of data points relating to the themes detailed above as sustainability indicators. These data points are sourced from a third-party provider and are listed below each theme.

Environmental:

1) Greenhouse gas emissions:

- Carbon Intensity Scope 1 & 2

2) Biodiversity and natural resources:

- Company has operations located in biodiversity sensitive areas and is involved in controversies with severe impact on the environment
- Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

3) Climate and transition risks:

- Active Fossil Fuel Sector Exposure
- Pollution and waste management:
- Environment controversy score

Social:

1) Business ethics, bribery and corruption

- Controversial Weapons
- Total number of convictions for violations of anti-corruption and anti-bribery laws

2) Data privacy and security

- Customers - Privacy & Data Security score
- Data Security Breaches Controversies

3) Labour practices and human rights safeguards

- Labour Compliance
- Human Rights Compliance
- Human Rights - Impact on Local Communities Score
- Customers - Product Quality & Safety Score

#### 4) Diversity, equality and inclusion

- Discrimination and Diversity Controversies

The portfolio is reviewed against these indicators internally on a quarterly basis by the Additional Objectives Portfolios (AOP) Group which reports to the Investment Management Committee. Consideration is given to the progression for the portfolio against these indicators. Performance against the sustainability indicators will be reported on annually in the periodic disclosure. The efficacy and data coverage of the indicators used will be reviewed periodically by the AOP Group.

Furthermore, the environmental and social characteristics promoted by the Sub-Fund are monitored daily and through the lifecycle via the exclusions list detailed in the binding elements of the Sub-Fund's investment strategy.

In addition to the governance and oversight detailed above, internal controls are provided through adherence to the Investment Manager's investment process in terms of stock selection and portfolio construction as described in other sections. No external control mechanisms are currently utilised.

## Methodologies

The methodologies to measure how the social or environmental characteristics promoted by the Sub-Fund are best described by the processes used by the Investment Manager for constructing the Sub-Fund's portfolio which are summarised below:

- Broad assessment of these characteristics incorporating relevant and material issues using a consistent framework – materiality-based assessment of integrity, sustainability and governance factors.
- Environmental, Social and Governance data points and controversies screening sourced from certain third-party data providers (e.g. MSCI). Thresholds are set for each of the data points. A data point which is below the threshold generates a flag. Where a flag is raised, a review, comment and conclusion is required by the 'Stock Champion' (a member of the Investment Manager's Research team responsible for the investment in the equity company).
- Sustainable investment assessment:
  - i) The objectives of the sustainable investments that the Sub-Fund makes are those represented by the UN Sustainable Development Goals (SDGs). A sustainable investment contributes to this objective by having a minimum of 30% revenue aligned with UN SDGs.
  - ii) The Sub-Fund's investments that meet the minimum revenue threshold, as previously described, are then screened against a number of principal adverse impacts (PAIs) indicators for 'do no significant harm' (DNSH), as further detailed under 'Data sources and processing' below.
  - iii) A further check is carried out to ensure that the sustainable investments are aligned with OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work and International Bill of Human Rights.
- Portfolio Level Assessment against relevant PAIs - Portfolio level performance monitoring against 7 defined Principal Adverse Impact Indicators
- Exclusion lists are based upon the Exclusion Policy set out in the Sub-Fund's Investment Policy. They are generated using internal and/or external data and codified into systems and trigger Pre-trade warnings in the trade system prior to trading to inform the Portfolios Implementation Team of a prohibition. Post-trade warnings will also be reviewed by the Portfolios Implementation team and escalated as appropriate.

## Data sources and processing

(A) The data sources used to attain each of the environmental or social characteristics promoted by the financial product:

The Investment Manager's primary source of information is from investee companies, through analysis of published financial and environmental, social & governance reports, where available, and engagement with company management. The Investment Manager also utilises a third-party provider for external data metrics for environmental and social characteristics, quantitative portion of the assessment of good governance and for PAIs.

Additional information is sourced from the third-party data provider and used to help assess whether a company should qualify as a sustainable investment, as defined by SFDR, namely:

- Has an economic activity that contributes to an environmental or a social objective: The objectives of the sustainable investments that the Sub-Fund partially intends to make are those represented by the UN Sustainable Development Goals. A sustainable investment contributes to those objectives by having a minimum of 30% revenue aligned with UN Sustainable Development Goals.
- Such investments do not significantly harm any of those objectives: The Sub-Fund considers all of the mandatory indicators included in Table 1 of Annex 1 with the exception of PAI 2. For the DNSH assessment, the PAIs are required to be considered at a stock level. PAI 1 is converted to an intensity measure rather than an absolute number for this analysis. This is because the original PAI is designed for portfolio level consideration rather than

use at the company level but the analysis for DNSH must be at the company level. PAI 2 is not considered separately as, having converted PAI 1 to an intensity measure, it would simply repeat the same information covered in PAIs 1 and 3.

The sustainable investments are checked for alignment with OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work and International Bill of Human Rights. The codes of practice cited previously collectively cover a very broad range of areas of responsible business, encompassing everything from labour rights to consumer protection to support internationally recognised human rights within a company's sphere of influence.

In determining whether a company meets the relevant test for DNSH under the classification of sustainable investments, a number of screens and proxy screens to determine eligibility are used as detailed below:

- UNGC compliance screen
- Tax compliance screen
- Human rights compliance
- Labour compliance core

Given the breadth of issues covered by the OECD Guidelines for Multinational Enterprises in particular, we are not aware of a single screen against all of the guidelines. A combination of proxy screens is utilised to determine the suitability of holdings against this requirement.

(B) The measures taken to ensure data quality:

The Investment Manager has undertaken an internal review of the methodologies used by the third-party data provider against prescribed methodologies as set out within the Sustainable Financial Disclosure Regulation (SFDR) and concluded that the data reviewed is of sufficient quality for use as one part of the Investment Manager's holistic investment management process. Please note, however, that whilst the Investment Manager has reviewed the methodology used by the third-party data provider(s), the Investment Manager cannot guarantee that there will not be future data gaps, estimated data and unverified corporate disclosure underpinning the data, therefore the data may be open to challenge and/or contain inaccuracies. Furthermore, the Investment Manager may only use the data of one third-party provider, which may vary from that provided by other third-party providers.

(C) How data are processed:

Data is available via data feeds or it can be pulled from a third-party provider's portal. For all relevant assessments, the data is compared to internally set thresholds. Some thresholds are absolute values and others are sector averages. If a threshold is met then it will generate a flag which requires analysis, comment and a conclusion from the Stock Champion, and where relevant, with further review from the Additional Objectives Portfolios (AOP) Group.

(D) The proportion of data that are estimated:

Data will only be estimated when it is not available for the PAIs being considered as part of the DNSH test for sustainable investments. If the data is not available from the third-party data provider, then the first step is to contact the investee company. If the company does not report that data point, then an estimate will be made. This will be a small proportion of the data used to attain the environmental and social characteristics promoted by the Sub-Fund.

Data is used only as an input and 'red-lines' are not set in terms of thresholds; data is not estimated for processes other than the DNSH assessment. There is also broader holistic analysis for the environmental and social characteristics promoted by the Sub-Fund therefore it is not necessary to estimate data when it is not available as it only forms part of the assessment.

## Limitations to methodologies and data

(A) Any limitations to the methodologies and data sources

Data is the main limitation to the methodologies used to measure how the social or environmental characteristics promoted by the Sub-Fund are met. This limitation is attributable to two sources, investee companies and third-party providers.

The Sub-Fund invests in companies across a diverse range of geographies and sectors thereby giving rise to the following limitations:

- Availability of environmental and social information – data provision varies from company to company in the same geography and greatly between geographies depending on rules and guidance in those regions.
- Methodological differences – investee companies will not necessarily use the same methodologies in calculating environmental and social information.
- Nature of environmental and social information provided by investee companies – where some companies may disclose qualitative information, others may report quantitative material.

Data provision by investee companies should improve and harmonise over time.

The Sub-Fund utilises a third-party provider for data thereby giving rise to the following data source limitations:

- Accuracy of data from third-party providers – the third-party data provider encounters the same data limitations relating to investee companies as noted above. Furthermore, the Investment Manager is reliant on the accuracy of data input processes utilised by the third-party provider.
- Methodological differences - data providers may utilise different methodologies to calculate the same metric potentially leading to reporting inconsistencies and inferences across the industry.
- Transparency of data providers methodology – the methodology used by providers lacks transparency in areas such as data gaps and use of proxies.

A further limitation includes utilising PAIs for DNSH assessment:

- PAI 1 is designed for portfolio level consideration rather than use at the company level but the analysis for DNSH must be at the company level.
- PAI 2 is not considered separately as, having converted PAI 1 to an intensity measure, it would simply repeat the same information covered in PAIs 1 and 3.

(B) How limitations do not affect the environmental or social characteristics promoted by the financial product

The limitations noted in section (a) do not affect the environmental or social characteristics promoted by the Sub-Fund because:

- The Investment Manager applies qualitative analysis as well as quantitative analysis as described in the 'Summary' and 'Investment Strategy' sections of this website disclosure.
- Data sourced from the third-party provider that breaches a screening 'threshold' or raises a 'flag' is not taken as a 'hard restriction' but rather as a prompt for further analysis. This may necessitate challenging the accuracy of the data provided and/or engagement with investee companies to try to gather missing data, particularly for the 'DNSH' assessment relating to sustainable investments.
- The Investment Manager has undertaken an internal review of the methodologies used by the third-party data provider against prescribed methodologies as set out within SFDR and concluded that the data reviewed is of sufficient quality for use as one part of the Investment Manager's holistic investment management process.
- In order to make an assessment at a stock level for DNSH and set thresholds, the Investment Manager has converted PAI 1 to an intensity number to compare each stock against a sector median.
- As PAI 2 has scope 1, 2 and 3 emissions at its core, in principle the PAI has been considered through the prism of PAI 1.

## Due diligence

Due diligence carried out on the underlying assets of the Sub-Fund spans the processes from generation of a potential investment idea to portfolio construction. The Investment Manager's strategy consists of a long term and bottom-up, fundamental driven, integrated ESG approach. Stewardship, in terms of engagement and proxy voting, is an integral part of the Investment Manager's approach to investing.

Each potential investment idea is subject to a broad assessment incorporating relevant and material issues using a consistent framework – a materiality-based assessment of integrity, sustainability and governance factors. Further due diligence includes:

- Environmental, Social and Governance data points and controversies screening
- Overall Stock Champion Assessment of 'Good Governance'
- Overall Stock Champion Assessment of 'Good or Improving E&S'
- Sustainable investment assessment

The Additional Objectives Portfolios (AOP) Group assesses the potential investment idea for suitability for inclusion in the Sub-Fund. The Investment Executive provides oversight in terms of portfolio construction.

Other aspects of due diligence include:

- Periodic portfolio Level Assessment against relevant PAIs
- Annual reviews of investee companies by the Stock Champion. Additional reviews may occur on a materiality basis.

## Engagement policies

Engagement is not a part of the environmental or social investment strategy of the Sub-Fund. However, engagement is an integral part of the Investment Manager's approach to investing as they believe that constructive dialogue with management teams not only affords real insight into how a company operates, it is an opportunity to advocate for positive change that will benefit both our clients and our stakeholders.

## Designated reference benchmark

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the Sub-Fund.