



Sustainability-related disclosures for AQR Lux Funds II – AQR Global Enhanced ESG Equity Fund (the “Fund”)

The Fund has been classified as an Article 8 fund under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“**SFDR**”). Terms used but not defined herein shall have the respective meanings given to them in the placement memorandum of the Fund.

The Portfolio Manager, AQR Capital Management, LLC (“**AQR**”), is a U.S. domiciled investment adviser registered with the U.S. Securities and Exchange Commission (“**SEC**”). AQR offers dedicated environmental, social and governance (“**ESG**”) solutions including ESG investing strategies that focus on broad ESG implications (incorporating negative screens and positive tilts), low-carbon portfolios, or portfolios customized for other client-specific ESG priorities.

The Fund implements the following ESG characteristics and indicators into its investment policy. In this context the Fund’s objective would in particular be to better manage risk, generate sustainable, long-term returns and promote environmental or social characteristics. For further details investors should refer to the Fund’s placement memorandum.

Exclusions					ESG Characteristics	Good Governance	
Static screen: excluding tobacco	Static screen: excluding controversial weapons	Static screen: excluding fossil-fuels related stock	Dynamic screen: excluding issuers with weakest ESG scores	Managing carbon emissions footprint	Active tilt towards securities with superior ESG characteristics	Good governance signals	Excluding issuers with inferior governance
✓	✓	✓	✓		✓	✓	

Exclusions

Static screening: the Fund will adhere to a principles-based exclusion framework consisting in the application of a proprietary ESG filter, imposed in order to screen out issuers that may have exposure to environmental, social, and governance risks, such as exposure to climate change risks, or exposure to activities generally considered to be harmful for societal or health-related reasons.

In this context, and in accordance with responsible investment principles, the Fund will explicitly exclude investment in areas including but not limited to:

- i. tobacco;
- ii. controversial weapons related securities (which are in addition to the exclusion of cluster munitions); or
- iii. fossil-fuel related issuers, selected at the Portfolio Manager’s discretion.

The Portfolio Manager will screen such securities from the long side of the portfolio; such securities are generally permitted to be shorted. Further details in relation to this exclusion framework will be set out in the Fund’s Supplement.

A company is deemed to be a fossil-fuel related company if it meets one or more of the following criteria:

- i. the company has any carbon reserves;
- ii. the company derives more than 10% revenue from thermal coal; or
- iii. the company derives more than 10% revenue from oil sands.

Dynamic screening: the Portfolio Manager will screen to exclude approximately 10% of issuers with the weakest ESG scores in the given universe. ESG scores are designed to capture exposure to environmental, social, and governance risks, particularly those that have more potential to be financially relevant, or that may not be adequately managing such exposures in their underlying businesses. Examples of such risks may include climate change, demographic shifts, or anti-corruption.

ESG Characteristics

Active tilt towards securities with superior ESG characteristics: the Portfolio Manager's stock selection process will actively tilt toward securities with superior ESG characteristics. This will involve targeting an improved ESG rating or overweighting securities with attractive ESG ratings relative to the Fund's benchmark.

The Fund's ESG characteristics shall be determined by ESG ratings data at the Portfolio Manager's discretion, with the aim of identifying the extent to which each company in the universe is exposed to, and how well it manages, a range of ESG issues. ESG issues taken into account include amongst others:

- **Environmental:** gas emissions, resource depletion, waste and pollution, deforestation, carbon footprint;
- **Social:** working conditions, relation to the local communities, health and safety, employee relations, diversity considerations;
- **Governance:** executive pay, bribery and corruption, political lobbying and donations, tax strategy.

ESG characteristics are generated using a combination of the Portfolio Manager's proprietary models, as well as third party models and data. Such models mainly take into account the ESG scoring as well as other metrics integrated in and applicable to the models of the target companies. Investors should note that assessment criteria may change over time or vary depending on the sector or industry in which the relevant issuer operates.

Good Governance

Good governance signals: the Fund will systematically integrate one or more governance-related signal, applicable and specific to its strategy, into its investment view. Such signals are designed to capture various dimensions of target companies' governance to ensure that companies in which the investments are made follow good governance practices.

Examples of such governance-related signals include signals that capture:

- overly aggressive company growth – i.e. “empire building” that may indicate that the management fails to control costs and protect shareholder interest;
- earnings quality – tilting away from companies with overly aggressive accounting practices, which might need to restate their financial reports in the future; or
- how transparent a company is – tilting away from less transparent companies or companies that may be strategically manipulating the information they disclose to shareholders.

Monitoring and Controls

ESG-related investment guidelines and constraints are incorporated directly and coded into the portfolio optimization process to prevent violations. Adherence to the ESG characteristics and indicators is monitored on a regular basis as part of the investment process and compliance controls of the Sub-Fund and by applying restrictions on the exclusion list.

Methodologies, Due Diligence and Data Sources

AQR's underlying research is driven by proprietary data sets and unique sources of information, and provides a robust framework from which AQR builds portfolios that incorporate best ideas and implements them in a cost-effective and logical manner. AQR holds ESG-related research to the same high standard as non-ESG related research.

ESG data sources used by AQR in live portfolios, to date, have included:

- Raw data which is incorporated into proprietary ESG investment signals (for example, governance type signals date back to AQR's inception in 1998);
- Screening lists based on restricted activities, industry codes, etc., since 2000;
- MSCI ESG database, since 2015;
- MSCI Impact Monitor data, since 2015;
- Third-party assessments of country risk, which incorporate political stability and quality of economic structures as part of our broader risk model, since 2016;
- TruCost carbon and fossil fuel data, since 2017.

In determining the value of certain ESG data, AQR considers whether it is trustworthy and whether it applies broadly across relevant universes, or whether it only applies to a subset of relevant universes. AQR has an ongoing dialogue with its data providers.

AQR trials new data providers, typically with multiple vendor conversations and third-party data-based research projects, on an ongoing basis. Alongside this, AQR continues to refine its data-handling methodologies to ensure appropriate monitoring and, where required, scrubbing. ESG data is managed according to AQR's comprehensive processes including its model integrity policy.

Engagement

AQR's stewardship approach is grounded in a belief in transparency, as well as a desire to create positive long-term value for its clients. For more detail, please refer to AQR's publicly available Stewardship Philosophy, Engagement Policy, and Proxy Voting Policy, all linked below:

[AQR Stewardship Philosophy](#)

AQR's Stewardship Philosophy details how AQR aims to integrate its core values and Responsible Investment objectives with AQR's focus on seeking to maximize long-term value for its clients.

[AQR Proxy Voting Policy](#)

For commingled client assets, AQR takes a sustainable approach to proxy voting in order to promote sustainable practices in portfolio companies.

[AQR Engagement Policy](#)

AQR's Engagement Policy is grounded in AQR's fundamental belief in open dialogue and transparency, as well as AQR's conviction that improvements in corporate governance are paramount in well-functioning capital markets.