



# LEADERSEL INNOTECH ESG RESPONSIBLE INVESTMENT POLICY



**ERSEL**  
Gestion Internationale

## Table of contents

<b>1. Introduction</b>	<b>3</b>
<b>2. Aim and purpose</b>	<b>3</b>
<b>3. ESG key topics</b>	<b>3</b>
<b>4. Fund classification</b>	<b>3</b>
<b>5. Investment strategies</b>	<b>4</b>
<b>5.1 Idea generation</b>	<b>4</b>
<b>5.2 Portfolio allocation</b>	<b>5</b>
<b>5.3 Portfolio management</b>	<b>5</b>
<b>6. Access to and use of ESG data</b>	<b>6</b>
<b>7. Monitoring and reporting</b>	<b>6</b>
<b>8. Review of criteria</b>	<b>7</b>
<b>9. Transparency</b>	<b>7</b>



## 1. Introduction

Considerations regarding environmental, social and governance aspects have always been an integral part of the investment selection process.

Sustainability and the management of any activity according to the best practices of “good governance” are in fact essential factors for the creation of value in the short term but even more so in the medium to long term. A focus on the sustainability of companies can affect their ability to create long-term value for investors and stakeholders; therefore, we consider ESG integration an important tool to improve the risk/return profile of investments.

## 2. Aim and purpose

The investment policy in question, approved by the Board of Directors of Ersel Gestion Internationale (EGI) and Ersel Asset Management SGR (EAM), is an integral part of the Sustainable Investment Policy adopted by EGI and the EAM managing director. The present document aims at formalising and illustrating the selection and monitoring methodologies of the financial instruments adopted in order to integrate the analysis of sustainability risks within the investment process of the Leadersel Innotech ESG sub-fund.



## 3. ESG key topics

Leadersel Innotech ESG invests in companies from different geographic areas and sectors, with very different approaches to social, environmental and governance issues depending on the sector they belong to and the geographic area in which they operate. However, some key common themes can be identified, which include, but are not limited to:

**Environmental criteria:** examine how an issuer contributes to environmental challenges (e.g. energy consumption, waste, pollution, reduction of greenhouse gas emissions, combating resource depletion and deforestation, protection of biodiversity and climate change).

**Social criteria:** analyse how a company develops its human capital by referring to fundamental principles that are universal in scope (e.g. human resources management, diversity and equal opportunities, working conditions, health and safety).

**Governance criteria:** assess the effectiveness of management in initiating a process of collaboration among the various stakeholders, aimed at ensuring the pursuit of long-term objectives and consequently the long-term value of the company (e.g. executive compensation, tax strategy and practices, anti-corruption and abuse of office, diversity and Board structure).

## 4. Fund classification

Leadersel Innotech ESG (pursuant to Art. 8 of Regulation 2019/2088) promotes, among others, sustainability factors provided that the issuer in which investments are made follows good governance practices.



This is achieved through investment strategies that, in accordance with a “finance-first” approach, select investments on the basis of social and environmental impact criteria.

This approach leads to a deeper understanding of a company's long-term risks and opportunities: the integration of ESG criteria into the analysis phase of companies leads to more informed investment decisions and potentially better risk-adjusted returns throughout the investment life cycle.

If ESG risks and opportunities are significant, ESG analysis could impact a security's fair value and portfolio allocation decision.



## 5. Investment strategies

Leadersel Innotech ESG invests in a diversified, highly liquid portfolio mainly of equities and mainly listed on regulated markets, representative of High Growth - Quality - ESG companies of large and small-medium capitalisation. The objective of the programme is to obtain returns in excess of the reference index (Msci World Net Total Return) over a medium to long term (indicatively over 5 years) with a risk profile typical of equity investments.

The portfolio is constructed taking a bottom up approach aimed at selecting companies that, through technological innovation, are or will be able to intercept or address those structural trends that have as their centre of influence the change in our way of acting and interacting on a daily basis.

The management style is *buy and hold*. In selecting investments and throughout the investment process, the management team uses a proprietary investment assessment model that systematically integrates, among other things, ESG risks and opportunities in its various stages as described below.

### 5.1 Idea generation

#### *Exclusion screening*

In addition to issuers excluded in application of the general policy in force (Responsible Investment Policy - ESG) Leadersel Innotech ESG excludes from its investment universe companies operating in sectors or conducting business with governments or countries that have been shown to have a negative impact on society or the environment.

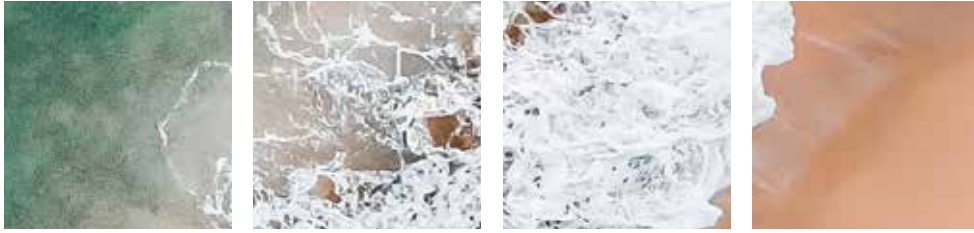
Sectors:

- Companies operating in the production and mining of uranium;
- Companies operating in the production of palm oil;
- Companies that derive over 30% of their revenues from nuclear power generation;
- Companies that derive over 5% of their revenue from the production and distribution of pornographic material.

Excluded companies will be reviewed periodically by the management team and the Risk Management function for relevant changes to the company's activities or conduct. For more details on the frequency of monitoring see the general policy.







#### *Positive screening*

- The management team will choose those issuers that are best in class, i.e. amongst companies considered equivalent according to traditional financial criteria, it will privilege in its investment choices those issuers that have a better ESG rating either overall or compared to comparable issuers.
- The management team will choose issuers with good momentum, i.e. in order to enhance a forward-looking and considered view of its investments, among companies considered equivalent according to traditional financial criteria, preference will be given to investments with an improving ESG rating.

#### *Negative screening*

- Some companies may meet the eligibility for portfolio inclusion from a financial analysis perspective, however, their ESG rating may be insufficient. In these cases, if the management team believes the fundamentals are attractive and the ESG profile can be improved, they may consider allocating them to the portfolio. The total weight of positions in issuers with an insufficient ESG rating may not exceed 10% of the NAV.
- Some companies may meet the eligibility for portfolio inclusion from a financial analysis perspective, however, their ESG rating may be non-existent because it is not covered by ESG data and analysis providers or is missing in many of its key components. In these cases, if the management team believes the fundamentals are attractive and the ESG profile can be improved, based on the due diligence conducted, they may consider allocating them to the portfolio. The total weight of positions in non-ESG rated issuers may not exceed 20% of the NAV.

## **5.2 Portfolio allocation**

Once the positive and negative exclusion screens have been performed, the results are integrated with the fundamental analysis of financial and market risks and the selected companies are allocated to the portfolio.

For the purposes of this policy, the weighted average rating of the portfolio of rated securities, calculated using the rating of the issuer as the rating of the provider selected for the exclusion and monitoring activity, may not be less than sufficient.

## **5.3 Portfolio management**

The analysis of the ESG profile of an investment does not end once capital has been allocated.

The process is ongoing and this is critical to ensure we identify factors before they turn into events that can threaten the value of an investment, as well as to allow us to capitalise on new investment opportunities.

Erse AM has adopted a policy on the criteria and procedures for exercising intervention and voting rights (Engagement).

Through ongoing dialogue with issuers of financial instruments on issues related to



sustainability and through the exercise of voting rights associated with participation in the share capital, Ersel AM aims to positively influence the behaviour of issuers of financial instruments and increase the degree of transparency. For full details of the engagement policy, please refer to the dedicated document.



## 6. Access to and use of ESG data

ESG data analysis is a key component of the ESG approach. Access to ESG data enhances understanding of an investment's ESG profile, potential future performance, risks and opportunities.

A number of ESG data providers are in the market providing a variety of products, using different approaches and methodologies that support the ESG research process. After conducting an extensive analysis, it was deemed appropriate to integrate the data and information from the ESG data provider used for exclusion screening, average portfolio rating calculation and monitoring as defined in the general policy (reference) with that provided by other external providers, which ensures the management team has broad coverage and access to the latest available ESG information.

It is widely acknowledged, however, that ESG data is often hard to come by, sometimes lacking in detail, and because the dissemination and production of ESG data at the individual supplier level is not standardised, there are risks in relying solely on it. To this end, ESG data is also used as a focus to identify a risk or anomaly that is useful to complement the fundamental analysis of the instrument.

In addition, to mitigate dependency on ESG datasets and improve access to quality ESG data, such external ESG data from different vendors can be integrated with internal research sources and data.

Integration of external ESG data with internally sourced findings improves ESG analysis, particularly in cases where there is very little or no coverage of external suppliers.

## 7. Monitoring and reporting

Integrating ESG factors into the investment process is an integral part of the due diligence and research process: the management team is therefore required to track ESG analysis in the investment memorandum for the specific instrument.

During the due diligence phase, the management team uses a combination of ESG data from external and internal sources in order to complete the investment analysis. All engagement activities are monitored and documented internally. In addition, each investment is discussed and reviewed during the investment committee, providing an opportunity to discuss, among other things, ESG aspects and ensure that information is strategically identified.

The Risk Management function periodically monitors the compliance of the portfolio's ESG criteria as described in the general investment policy and this policy.



**8. Review of criteria**

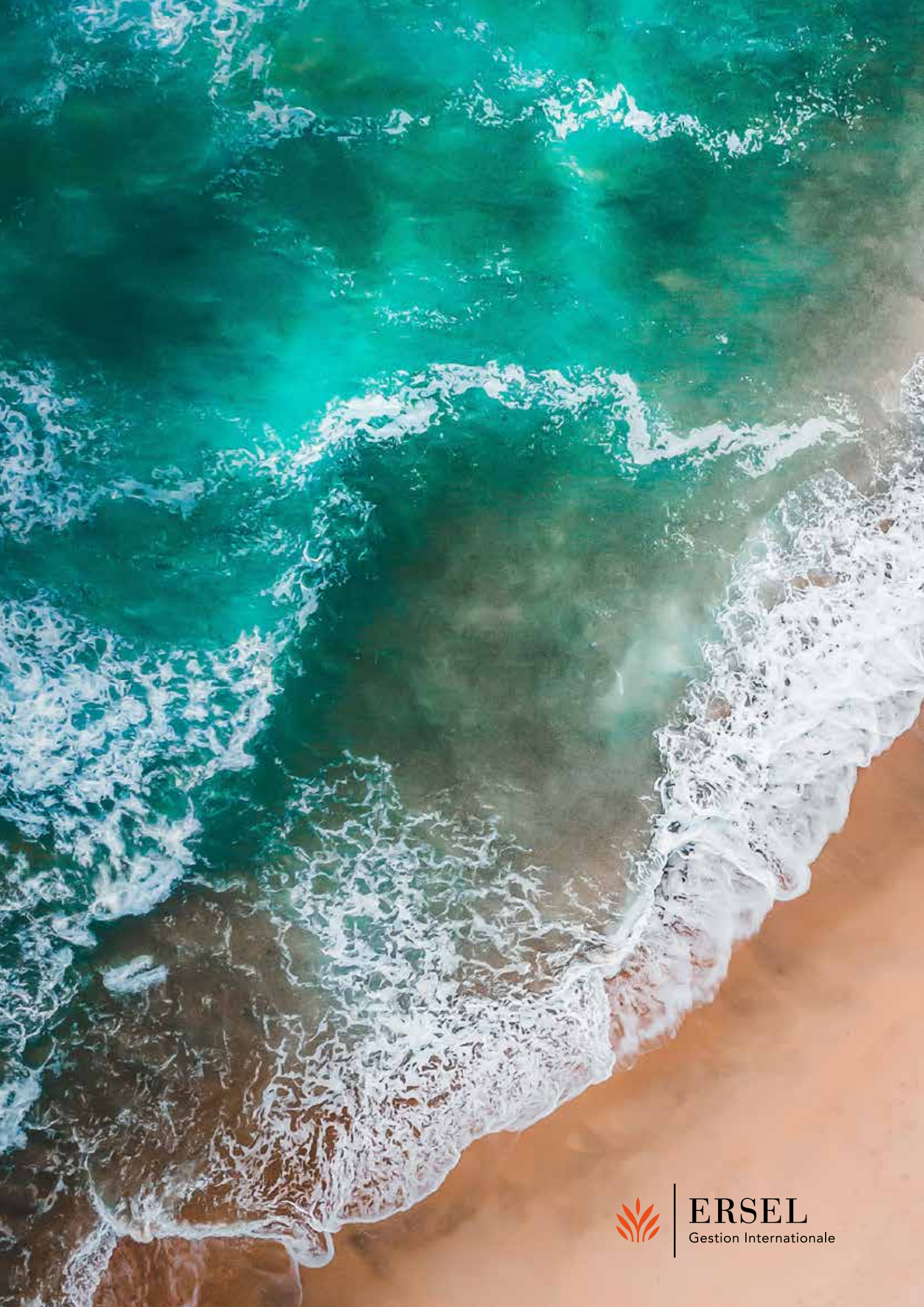
The Responsible Investment Policy will be reviewed as part of the regular review of business processes by the Management Team, the Risk Management function, the Compliance Department and the ESG Committee to ensure compliance with best practice and regulatory developments.

**9. Transparency**

This policy is available on Ersel’s website.







**ERSEL**  
Gestion Internationale