RESPONSIBLE INVESTMENT ESG POLICY

ERSEL
Gestion Internationale

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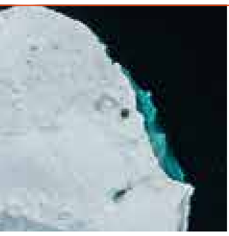


I. INTRODUCTION

Ersel Group has always paid a close attention to Environmental, Social and Governance ("ESG") values in every aspect of its activity. Consequently, the respect of ESG values together with the values described in its Code of Conduct are absolute requirements for all the companies and staff of the Group.
In line with Ersel Group ESG values, considerations regarding governance, environment and social issues are an integral part of Ersel Gestion Internationale S.A. ("EGI") investment selection process. Sustainability and the management of any business in compliance with the best practices of good governance are essential to the creation of value in the short term but even more so in the medium to long term. As a result, EGI takes ESG factors into account in its operations and business practices, in the products and investments it promotes, and in its relations with various categories of stakeholders. This Policy is an integral part of EGI overall approach to ESG. It contains rules, practices and definitions, inspired by international best practices and compliant with legal regulations, relating to sustainable investment approaches, the instruments and role of parties involved in the processes. EGI considers the incorporation of ESG factors into its investment processes to be of fundamental importance and that these factors, as well as fostering sustainable economic and social development, can make a positive contribution to the financial results of clients' portfolios while reducing their risks. It is generally thought that incorporating ESG criteria into an investment strategy can generate sustainable profits over time and, consequently, a solid prospect of value creation for all stakeholders. This also allows a more efficient management of financial, environmental and social risks that may negatively affect the value creation of individual investments.
Therefore, identifying and managing these risks is part of EGI duty to protect the value created over time.

II. PURPOSE, SCOPE, DEFINITIONS, REGULATORY FRAMEWORK

II. 1. Purpose

The purpose of **EGI responsible Investment ESG Policy** ("the **Policy**" - where ESG stands for Environmental, Social and Governance) is to define how EGI integrates sustainability ESG factors and risks in its investment management processes in compliance with UE Regulation 2019/2088 ("the Sustainable Finance Disclosure Regulation" or "SFDR").

This Policy aims at:
- setting up the methods to be used in order to select and monitor the financial instruments in which portfolios managed by EGI invest and to incorporate sustainability factors and risk analysis into the investment process;
- defining the methodology for monitoring ESG risks;
- defining principles for performing due diligences on delegate investment managers in respect to their abiding to ESG values;
- specifying EGI obligations in terms of **sustainability-related** disclosures, inter alia website, pre-contractual, annual report and marketing material disclosures.

Sustainable and responsible investment is an integral part of Ersel Group corporate culture and is aimed at attaining the following main goals:

- directing investor choices towards responsible investments while pursuing the achievement of financial performances that live up to investor expectations;
- supporting sustainable development by directing investments towards economic activities that contribute to achieve positive virtuous social goals (attention to employees, suppliers, customers...), environmental goals (use of renewable energy, attention to the use of raw materials, water resources, land use, reduction of carbon dioxide and pollution, the principles of circular economy, ...) and good corporate governance (composition of the Board of Directors, compliance with the principles of independence and fairness in terms of appointments, staff remuneration policies, ...);
- promoting sustainable finance, with the aim of helping to combat climate change and the rational use of all production factors, including natural resources and human capital.

II. 2. Scope

II. 2.1. Products and services in the scope of this Policy

This Policy applies to all EGI investment services:
- fund management, whether UCITS, AIFs or RAIF;
- discretionary wealth management ("DWM") and advisory.

II. 2.2. Instruments in the scope of this Policy

- this Policy applies to bonds, loans, equity, target funds;
- it does not apply to derivatives.

II. 2.3. Functions and staff in the scope of this Policy

The functions and persons that are primarily in the scope of this Policy are:
- the investment functions, the investment managers, both fund management and DWM;
- the commercial staff;
- the regulatory control functions (Compliance and Risk Management) in charge of verifying the respect of ESG values by the Company.

II. 2.4. Delegate Investment Managers

EGI may delegate the investment management of some of its (sub) funds to external investment firms.

This obviously does not release EGI from its responsibility in terms of ESG. EGI policy in respect to its delegate investment managers ("DIMs") is to leave them autonomous in their fund management activity but to perform due diligence and oversight on their ESG approach and to verify that this approach is compatible with the present Policy. EGI policy towards DIMs is described below V.b.

II. 3. Coordination of the Policy with other Ersel Group and EGI policies

II. 3.1. Compliance with Ersel S.p.A. responsible Investment ESG Policy

The present Policy complies with Ersel S.p.A. responsible Investment ESG Policy which is Ersel Group Policy in terms of sustainability and ESG.

II. 3.2. Compliance of EGI policies with the present Policy

EGI ensures that all EGI policies and procedures comply with the present Policy in order to respect / promote ESG values (criteria). In particular, EGI reviews once a year the following policies in order to ascertain that they comply with the present Policy:

- **EGI Code of conduct and Conduct Charter** which must indicate that the company and its staff adhere to ESG values;
- **the Engagement and Voting Rights Policy** which must specify that engagement actions and voting pursue or are compatible with ESG considerations;
- **the Investment Policy** and the **Target Fund Selection IO Procedure** which must integrate ESG criteria as defined in the present Policy;
- **the Conflict-of-Interest Policy** which must mitigate any conflict of interest that may be in contradiction with ESG criteria;
- **the Remuneration Policy** which must framework the remuneration mechanisms in a way that decisions respecting / promoting ESG values are favoured and decisions with a negative impact on ESG values are discouraged;
- **the Marketing, Product Governance, Client Protection Policy** which must assure that:
  - products are designed and structured in accordance with ESG principles;
  - the establishment of clients /investors profiles takes also into account their propensity to favour ESG values;
- **the Due Diligence Policy** which must specify how due diligences on service providers verify their adherence to ESG values equivalent to EGI's ones;
- **the Risk Management Policy and the Operational Risks Management Policy** which must describe how EGI Risk Management identifies, assesses, mitigates risks related to ESG factors;
- **the Compliance Policy** which must describe how the Compliance Function verifies the adherence of EGI various functions to ESG criteria;
- the Internal Audit Charter which must describe how the Internal Auditor verifies that EGI assesses properly ESG risks and mitigate them, in line with applicable regulations.

II. 4. Abbreviations

Abbreviation	Meaning
CO	Conducting Officer;
DD	Due diligence;
DIM	Delegate investment Manager;
DWM	Discretionary Wealth Management;
EGI	Ersel Gestion Internationale S.A.;
EGI Funds	All EGI funds, whether UCITS, SICAVs, SIFs, AIFs of which EGI is the IFM;
ESG	Environmental, Social and Governance;
ExCom	EGI Executive Committee;
IFM, ManCo, the Company	EGI as Investment Fund Manager = Management Company and/or AIFM;
SFDR	UE Regulation 2019/2088, “the Sustainable Finance Disclosure Regulation”;
regulation(s)	Used as a generic term for all treaties, EU Regulations and Directives, ESMA guidelines, Luxembourg laws, GDR, CSSF Règlements and Circulars applicable to EGI and its Funds;
Regulation(s)	Used sensu strictu for EU, Grand ducal and CSSF “Règlements”.

II. 5. Definitions

II. 5.1. Source of the definitions

Most of the definitions below are extracted in extenso or in summary from the following:

- UE Regulation 2019/2088, "the Sustainable Finance Disclosure Regulation";
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (referred to as the "Regulation on the framework for environmentally sustainable investment").

II. 5.2. Definitions

"Biodiversity" means the variability among living organisms arising from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part and includes diversity within species, between species and of ecosystems.

"Circular economy" means an economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimising waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.

"Climate change adaptation" means the process of adjustment to actual and expected climate change and its impacts.

"Climate change mitigation" means the process of holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels, as laid down in the Paris Agreement.

"Ecosystem" means a dynamic complex of plant, animal, and micro-organism communities and their non-living environment interacting as a functional unit.

"Enabling activity" is an activity which enables others to make a substantial contribution to one or more of those objectives, provided that such economic activity:

- does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets;
- has a substantial positive environmental impact, on the basis of life-cycle considerations.

"Environmental Objectives" means:

- climate change mitigation and adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

An economic activity is considered to **"significantly harm"** environmental objectives as, in relation to:

- climate change mitigation, where that activity leads to significant greenhouse gas emissions;
- climate change adaptation, where that activity leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets;
- the sustainable use and protection of water and marine resources, where that activity is detrimental:
  • to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or
  • to the good environmental status of marine waters;
- the circular economy, including waste prevention and recycling, where:
  • that activity leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources such as non-renewable energy sources, raw materials, water and land at one or more stages of the life cycle of products, including in terms of durability, reparability, upgradability, reusability or recyclability of products;
  • that activity leads to a significant increase in the generation, incineration or disposal of waste, with the exception of the incineration of non-recyclable hazardous waste, or
  • the long-term disposal of waste may cause significant and long-term harm to the environment;
- pollution prevention and control, where that activity leads to a significant increase in the emissions of pollutants into air, water or land, as compared with the situation before the activity started, or
- the protection and restoration of biodiversity and ecosystems, where that activity is:
  • significantly detrimental to the good condition and resilience of ecosystems, or
  • detrimental to the conservation status of habitats and species, including those of European Union interest.

An **"environmentally sustainable"** economic activity means an activity which:
- contributes substantially to one or more of the "environmental objectives";
- does not significantly harm any of the "environmental objectives";
- is carried out in compliance with the minimum safeguards;
- complies with technical screening criteria to be established by the Commission.

"Sustainability factors" mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

"Sustainable Investment" means an investment in an economic activity that contributes to:
- an **environmental** objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or
- a **social** objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities,

provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

"Sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

"Transitional activity" means an activity which contributes substantially to climate change mitigation where it supports the transition to a climate-neutral economy consistent with a pathway to limit the temperature increase to 1.5˚C above pre-industrial levels subject to certain conditions.

II. 6. Regulatory Framework

The Luxembourg regulatory framework is based on international recommendations and treaties, EU regulations which are either applicable directly (Règlements) or transposed into national law, and Luxembourg laws, regulations, circulars and guidelines.

II. 6.1. EU Level

- regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended (referred to as "the Sustainable Finance Disclosure Regulation");
- regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (referred to as the "Regulation on the framework for environmentally sustainable investment");
- commission Delegated Regulation supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector with regard to regulatory technical standards specifying the content, methodologies and presentation of information in relation to sustainability indicators and the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, websites and periodic reports;
- commission Delegated Regulation of the 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation;
- commission Delegated Regulation of the 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

II. 6.2. Luxembourg Level

None.

III. PRINCIPLES, ESG CRITERIA AND RISK FACTORS

III. 1. ESG criteria

The three central factors in measuring the sustainability of an investment are:

Environmental criteria which examine how an issuer contributes to environmental challenges, such as energy consumption, waste, pollution, reduction of greenhouse gas emissions, resource depletion and deforestation, protection of biodiversity and climate change and what their performance in this regard.

Social criteria which analyse how a company develops its human resources, referring to universal fundamental principles, such as people management, diversity and equal opportunities, working conditions, health and safety.

Governance criteria which, on the other hand, assess how well the management of a company is able to initiate a process of collaboration between the various stakeholders in order to ensure that long-term objectives are met, consequently ensuring the long-term value of the company, such as executive remuneration, strategy and tax practices, corruption and abuse of office, diversity and board structure.

III.2. ESG approach to investment management

The concept on which sustainable investment management is based is that the more companies succeed in being sustainable, transformative and proactive in relation to the environment and the community in which they operate, the more likely they are to adapt and generate profitability in the medium and long term.
Consequently, ESG analysis focuses on how companies operate, on what are their strategic plans and how this affects their short and medium-term performance. This assessment is carried out by collecting a range of information that becomes an integral part of the investment process in order to decide which financial instruments to choose when constructing portfolios.
In addition to the fact that promoting sustainability and responsibility, when making investment decisions, is already a value in itself and that this value is increasingly perceived as an economic value, the ability to intercept, monitor and manage ESG factors is one of the most relevant factors of long-term investments.
As well as being a regulatory requirement, the need to adopt a strategic approach that also takes ESG factors into account is part of the correct assessment and management of risks.
In order to take into account ESG criteria, EGI will consider whether corporations / public and governmental entities aim at

- **respecting** the ESG criteria listed below;
- **promoting** those criteria;
- **developing** innovation, products, processes that favour those criteria.

Investments taken into account are investments through whatever instrument such as stocks, bonds, or funds (but not derivatives).

III.3. Non exhaustive list of ESG criteria

The criteria which EGI will take into account are listed below **in a non-exhaustive way**.

ENVIRONMENTAL CRITERIA

Climate change	• In general, production processes that do not generate detrimental effects on climate • Reduction in fossil energy consumption / production • Transition to a circular economy
Natural resources	• Sustainable use and protection of water and marine resources
Pollution and waste	• Pollution, prevention and control • Toxic wastes • Packaging & waste
Biodiversity and ecosystems	• Protection and restoration of biodiversity and ecosystems

SOCIAL CRITERIA

Labour	• Labour management, relations, equal promotion • Equal / fair salaries • Health and safety at work
Product liability	• Product safety • Chemical safety
Products contradicting ESG criteria	• Weapons, red light business / adult entertainment, marijuana and gambling, even if legal, illicit products
Society	• Gender equality • Social cohesion and integration • Attention to socially disadvantaged communities • Nutrition & health • Education

CORPORATE GOVERNANCE CRITERIA	
Shareholders	• Shareholders' equality in voting • Accessibility of shareholders' meeting and voting
Board	• Transparency of board of directors' deliberations • Competence and availability of Directors • Presence on the Board of independent Directors • Separation of Chairman and Chief Executive Officer functions
Remuneration	• Transparency and reasonableness of compensation of Directors, managers, decision makers and risk takers
Business ethics	• Transparent accounting • Anti-competitive practices • Tax transparency • Corruption

III.4. Risk factors

ESG risks are risks associated with the non-respect of the criteria described above. More specifically risks deriving from the non-respect of such criteria may be

- production disruption due to supply interruption in energy, water, raw materials;
- production disruption due to environmental disasters;
- reputation damage;
- costly administrative and penal sanctions;
- law suites by labour, communities, consumers.

On the other hand, external ESG factors constitute risks that may impact negatively EGI and its funds / portfolios. These risks must be as well identified, assessed and mitigated.

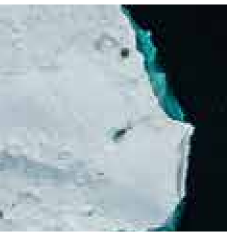
IV. FUND CLASSIFICATION

IV. 1. Integration of ESG criteria – ground rules

According to the SFDR, there are four levels of integration of ESG criteria into EGI investment management process, as described below.
However, regardless of the level of integration of ESG criteria, EGI applies to any of the fund or portfolio it manages ground rules aimed at meeting basic ESG concerns:

1. a negative screening on selected securities must be performed that excludes certain government or corporate issuers from the investment universe, as further described in Section V;
2. EGI carries out an ESG risk monitoring of all the funds and portfolios it manages;
3. EGI pursues a policy of engagement and voting in relation to the securities of the funds and portfolios it manages.

The information needed to implement the actions mentioned in points 1 and 2 is based on data, information and synthetic ratings supplied by an external provider.



IV.2. Levels of integration of ESG criteria

IV. 2.0. Level 0 - Art. 6 of the SFDR - ESG risks not relevant

ESG criteria and risks are considered as not relevant for the portfolio. In such case, EGI must comply with all disclosure requirements of the SFDR, in particular its Art. 6.

IV. 2.1. Level 1 - Art. 6 of the SFDR - ESG risks and criteria taken into account

a. ESG approach

ESG criteria are taken into account when selecting a corporation / entity in which to invest, in accordance with Art. 6 of the SFDR.

b. Investment management process

In addition to the general rules mentioned above and in section V. (exclusion, portfolio monitoring), the investment manager of a SFDR art. 6 fund must:

- perform a selection process on each security that it intends to purchase;
- pay attention to the ESG criteria **at each** investment decision;
- however he is not bound by compulsory ratings or limits;
- he is only prohibited to invest in instruments contradicting ESG criteria listed above in § III.3. Such prohibition may only be overcome **on a motivated decision** of ESG Group Committee;
- while ESG scoring (at individual security level or at the level of the portfolio) is not required, it is **encouraged** either on an indicative basis or even on a compulsory basis, in such case associated with a minimum limit.

c. Variant

It may be decided that a fund may enhance the application of ESG criteria to its investment management process. This will then be disclosed in the fund prospectus.

IV. 2.2. Level 2 - Art. 8 of the SFDR - ESG focus funds

a. ESG approach

- Investment management promotes, among other criteria, ESG criteria, or a combination of those criteria, provided that the corporations / entities which the investments are made follow good governance practices. The “ESG focus” funds set up by Ersel present the suffix “ESG” in the product name.

b. Investment management process

In addition to the general rules mentioned above and in section V. (exclusion, portfolio monitoring), the investment manager of a SFDR art. 6 fund:

- must select investments on the basis of their social and environmental impact in compliance with a “finance-first” approach;
- may adopt more stringent criteria and an investment policy that links the selection of investments and/or the construction of the portfolio to certain assessment parameters from an ESG.

IV. 2.3. Level 3 - Art. 9 of the SFDR - impact investing fund

a. ESG approach

In this case, sustainable investment is an objective of the portfolio.

b. Investment management process

The selection of the instruments in which the fund invests combines financial analysis, ESG analysis and impact analysis. The investment process, similar to ESG Focus funds, has the additional feature of having declared and measurable ESG goals. In effect, the fund will normally have a benchmark as ESG is an objective and therefore the achievement of this objective must be measurable. If the portfolio does not use a benchmark, its investment policy should explain how the achievement of the ESG objective will be measured.

V.a. ESG INVESTMENT STRATEGY

V.a.1. Introduction

EGI investment strategy in terms of ESG is based on two pillars:

- an exclusion policy;
- an individual instrument selection policy.

V.a.2. EGI exclusion policy

EGI exclusion policy excludes certain categories of sectors, countries or issuers, that operate in sectors that are considered "non ESG" or that behave in a way that contradicts ESG values.

V.a.2.1. Issuers exclusions

a. Norm-based exclusions

EGI excludes issuers that do not comply with international treaties such as those on controversial weapons, in particular the 2008 Convention on Cluster Munitions, the 1997 Ottawa Treaty on anti-personnel mines, the 1997 Chemical Weapons Convention, the 1975 Biological Weapons Convention, the 1968 Nuclear Non-Proliferation Treaty or the rules on the use of depleted uranium. Such exclusions are also required by the law and EGI AML-CFT Policy which requires the AML-CFT Function to monitor funds and portfolios in this respect.

b. Industrial sectors exclusions:

EGI excludes issuers that operate in sectors which in EGI opinion contradict ESG values and, more specifically, those issuers:

- whose revenues come from tobacco production;
- that earn more than 50% of their revenues from tobacco distribution;
- that earn more than 25% of their revenues from coal mining and coal-based electricity generation;
- that earn more than 25% of their revenues from the extraction of hydrocarbons from tar sands or fracking;
- that earn more than 10% of their revenues from the extraction of hydrocarbons in the Arctic.

c. Business-conduct exclusions

EGI excludes issuers in serious breach of UN principles (UNGC) or OECD guidelines for multinational companies, or subject to investment restrictions by the UN, EU, USA.

V.a.2.2. Country exclusions:

These exclusions concern countries subject to international sanctions or which violate the UN Global Compact principles.

The data used to identify these countries is provided by:

- World Bank: World Governance Index (WGI) on political stability and absence of violence/terrorism;
- Freedom House: Freedom in the World (FIW) index on Political rights and civil liberties;
- Peace Fund: Fragile States Index (FSI).

The countries currently excluded are Afghanistan, Belarus, Burundi, Central African Republic, Democratic Republic of Congo, Iran, Iraq, Libya, Mali, Myanmar, North Korea, Russia, Somalia, South Sudan, Sudan, Syria, Yemen, Zimbabwe.

V.a.2.3. Particular categories of instruments

a. Third party target funds (UCIs and funds of funds), ETFs

A negative screening is performed to identify their compatibility with the exclusion policy described above. This screening varies according to different types of funds:

- target UCIs are considered within ESG investment scope only when the target UCI under EU law manages sustainability risks as defined in the SFDR;
- for UCIs other than those governed by EU law, the criteria of this Policy are deemed to be fulfilled if the documentation relating to the offer refers explicitly or implicitly to exclusion criteria.

It is the manager’s responsibility to verify in advance that the target UCI meets the above characteristics by analysing the offering documents in force at the time of the investment. He must document his analysis.

b. Derivatives are excluded from this Policy as mentioned above in **II.2. Scope**.

c. Bonds

Investing in the following categories of bonds are authorised even if the issuers do not meet the inclusion criteria outlined above:

- green bonds;
- social bonds;
- sustainability bonds.

In the absence of formally recognised criteria, EGI generally refers to the definitions of the International Capital Market Association (ICMA).

V.a.2.4. Information sources

The information needed to assess the above parameters and to perform the exclusion activity are retrieved with the support of a third-party provider.

V.a.3. Selection policy

“ESG Focus” funds will have specific ESG investment policies or enhanced criteria for selecting financial instruments on the basis of a synthetic assessment of ESG factors (ESG rating) or by favouring one of the sub-components of ESG Factors.

V.a.3.1. Selection criteria

These investment strategies may envisage:

- choosing those issuers that are best in class, which means prioritising those

issuers, among companies considered equivalent according to traditional financial criteria, that have an ESG rating above a certain threshold or better in each category, or specific sector, than comparable issuers, when making investment choices;
- choosing issuers with good momentum, which means that, among companies considered equivalent according to traditional financial criteria, investments that have an improving ESG rating will be prioritised with a view to promoting a forward-thinking vision of investments;
- defining a certain minimum level of absolute average ESG rating for the portfolio or in relation to an ESG benchmark;
- defining an upper limit of exposure to financial instruments of issuers without an ESG rating or with an ESG rating below a certain pre-defined threshold.

V.a.3.2. Third party target funds

"ESG Focus" funds will have specific ESG investment policies or enhanced criteria for the selection of target funds and ETFs such as:
- defining minimum levels of absolute average ESG rating for the portfolio or in relation to an ESG benchmark, using the "look through" technique;
- defining selection standards based on the due diligence of the policy adopted by the target fund or of its classification with reference to the SFDR regulations.

V.a.3.3. Information source, rating methods, absence of rating

The information necessary to assess issuers that qualify for the selection will be retrieved with the support of the information provider used for the exclusion and monitoring activities, but if this information or the ESG ratings are found to be non-consistent, EGI reserves the right to use ESG data, information and ratings either from other third parties or generated internally.
Investment in securities of issuers with no ESG rating is allowed on condition that the manager obtains sufficient information from the issuer or from other sources, verifies and documents the compliance with the above selection criteria and, more generally, with the purpose of this Policy.

V.a.4. Investment strategy for third party funds managed by EGI

EGI may act as delegate investment manager on third party funds.
In such cases, EGI will follow the same investment strategy as described above for its own funds. However, EGI may accept indications and requests from the fund ManCo, such as extending the exclusion list, adding selection criteria for individual securitie.
As far as relaxing its own criteria, EGI may be accommodating but in no case it will accept instructions that conflict with its basic ESG values and, in particular, EGI does not accept to reduce its exclusion strategy.
Arrangements with the fund ManCo must be written in the SLA attached to the IMA.

V.a.5. Investment strategy for DWM portfolios and advises

Except if instructed otherwise, managers of DWM portfolios / DWM advisers are autonomous in their ESG approach and assessment of ESG risks.
However, they must abide to EGI exclusion policy described in § V.2. above.
EGI may also consider the launch of Portfolio Models with a focus on ESG. In such case, a specific procedure will define its investment parameters.

V.b. ESG INVESTMENT STRATEGY FOR EGI FUNDS MANAGED BY DELEGATE INVESTMENT MANAGERS

EGI may delegate the investment management of some of its (sub) funds to external investment firms.
This obviously does not release EGI from its responsibility in terms of ESG. EGI approach in respect to its delegate investment managers ("DIMs") is based on the following principles:
- EGI does not impose its own investment strategy to its DIMs. The DIM is autonomous when setting up its investment processes and risk management; however,
- EGI performs a due diligence on its DIMs to verify that they have policies complying with the regulations in force concerning the management of sustainability risks
- that their policies do not conflict with EGI basic ESG values
- and that their strategies are consistent with the exclusion policy mentioned in section V.2. above.
- In addition, EGI performs regular oversight on the portfolios managed by the DIMs as it does for the portfolios managed by itself in order to verify the DIM's adherence to the ESG criteria he has been assigned.
- EGI will also verify during the initial DD on its DIMs that they have appropriate methods and tools to monitored themselves the proper application of their own investment strategy.

VI. SUSTAINABILITY RISK MANAGEMENT

VI. 1. Introduction

EGI has assessed the incorporation of sustainability risks into its investment decisions and investment advice as significant.

VI. 2. Definition of sustainability risks

Sustainability risks are environmental, social or governance events or conditions which, if they were to occur, might have an actual or potential negative impact on the value of the investment.
If sustainability risks are not properly managed, they can affect the financial instruments in which the UCIs invest, with a variety of potentially negative consequences, such as lower revenues, higher costs, damage and reduced asset value, as well as reputational regulatory risks.

VI. 3. Sustainability risks management

EGI is aware that sustainable investment is based partly on non-financial considerations: the use of sustainability criteria may, therefore, reduce the range of investment opportunities or lead to the divestment of investments at a time that is not financially viable. A fund that uses sustainability criteria may therefore underperform the market or other funds that invest in similar assets without applying sustainability criteria.
However, incorporating sustainability risk into the investment process can lead to the mitigation of negative risk impacts and contribute positively to the long-term returns of investors. As a consequence, each manager of an EGI fund must assess sustainability risks when taking investment decisions and must assess as well in which measure sustainability risks may affect the performance of the fund.

VII. ROLES AND RESPONSIBILITIES

VII. 1. Board

The Board is generally responsible for:
- approving this Policy and maintaining it,
- supervising the implementation of this Policy,
- regularly reviewing ESG reporting.

The Board is more specifically responsible for:
- approving the level of integration of ESG criteria for each (sub) fund or portfolio and deciding the ESG status of every fund / sub fund, on the proposal of EGI ExCom;
- approving an external provider for ESG scoring. In order that ESG policies be consistent throughout Ersel Group, one provider is selected at group level but EGI Board must nevertheless ratify the choice.

The Board leaves to the ExCom:
- the definition of the practical measures for the application of the ESG investment policy to the funds and portfolios such as fixing a minimum limit to the ESG average rating of a fund or approving single minimum ratings or other types of selection filters. Such practical aspects will be formalized either in a comprehensive internal procedure approved by the ExCom or in individual ESG investment procedures approved as well by the ExCom.

VII. 2. ESG Group Commitee

In order to supervise the ESG policies of Ersel Group and of its subsidiaries and to assure the proper application throughout the Group of the Group ESG Policy, an ESG Group Committee has been created of whom one member is a representative of EGI. **The Committee is composed** in a way that assures its independence from the line functions but also that gives him a sufficient moral and operating weight in order to perform efficiently his role of supervising all ESG matters within Ersel Group. It must therefore at least include:
- Chief Executive Officer of Ersel S.p.A.;
- Deputy General Manager IT - Operations;
- Deputy General Manager Sales and Marketing;
- Deputy General Manager Investments;
- Deputy General Manager Administration and Finance;
- Director of Planning and Management Control;
- Director of Personnel and Internal Communication;
- Head of Group Risk Management;
- Investment Director of Ersel Asset Management;
- General Manager of Ersel Gestion Internationale;
- General Counsel;
- Head of Marketing e-Business Development (ESG Strategy);
- Independent director with training and experience in ESG topics (Committee Chairman).

In addition, the Committee may invite officers belonging to the control functions or line managers according to the topics discussed during the meeting.

The Committee responsibilities consist mainly in:
- supervising all questions and matters od sustainability related to the activities of

the Group and its interactions with all stakeholders;
- providing assessments and consultance to Ersel S.p.A. Board but also propositions and instructions in order, inter alia, to assure a better control of ESG risks;
- In particular, the Committee may propose a scoring system that will be approved by the Board;
- and the recourse to an external provider for ESG scoring.

It meets whenever a majority of the members deems it necessary.

VII. 3. Executive Committee ("ExCom")

The ExCom is responsible, to supervise the implementation of the decisions and indications given by the Board and the indications given by the Group ESG Committee as approved by the Board.
In particular the ExCom approves the practical measures for the application of the ESG investment policy to the funds and portfolios (such as fixing a minimum limit to the ESG average rating of a fund or approving single minimum ratings or other types of selection filters. It approves the internal procedure that fixes these practical aspects or the individual ESG investment procedures for single funds.

VII. 4. Investment Committee

It defines the investment processes aiming at implementing the ESG indications given by the Policy, the Board, the Group ESG Committee and present these processes to the ExCom (or if the case may be) to the Board for approval.
It supervises on a day-to-day basis the correct application of EGI ESG policies by the single managers.

VII. 5. Risk Management Function

- EGI Risk Management Functions is responsible for the monitoring of each fund adequacy to EGI ESG requirements and criteria as detailed in the section VIII below;
- It is also in charge of DDs on the DIMs in respect to ESG;
- EGI Risk Management Function works in close coordination with the Group RM Unit which assists EGI.

VII. 6. Compliance Function

The Compliance Function is responsible for verifying the compliance of all EGI functions with this Policy and with the regulation framework applying to the ESG field.

VII. 7. Internal Audit Function

The Internal Audit Function supervises the adequateness of ESG risks assessment and mitigation, consistently with prevailing regulations.

VIII. MONITORING

VIII. 1. Introduction

The 1st level control on the adequacy of ESG investment management with the regulatory framework and the present policy are performed by EGI fund and portfolio managers under the supervision of EGI Investment Committee and by the DIMs.
EGI Risk Management Function performs regular ex post controls at the second level.

VIII. 2. ESG Rating

A basic tool in ESG monitoring is ESG rating. ESG ratings may apply to:
- individual issuers;
- and, ex post, to an entire portfolio. The ESG rating of a portfolio is determined by the weighted average of the ratings of the individual securities in the portfolio.

For ratings, EGI avails itself of an external provider.

VIII.3. Controls

VIII.3.1. 1st level controls

a. EGI portfolio managers verify ex ante that:
- issuers of instruments they intend to acquire are not on exclusion lists;
- the instruments they intend to acquire have the minimum ESG rating if required by each fund specific procedure.

b. DIMs perform their own controls according to their own ESG investment management policy which has been subject to a DD by EGI.

VIII.3.2. 2nd level controls - the Risk Management Function

EGI Risk Management Function assisted by Ersel Group RM Unit performs the following controls:

a. Exclusions

The Risk Management Function verifies at least twice a year that EGI funds' portfolios do not contain any issuer that is on the exclusions lists for portfolios to which the exclusion policy applies. Exclusions related to internal sanctions are also monitored by the AML - CFT Function.

b. Minimum portfolio ESG rating

For those portfolios for which a minimum portfolio ESG rating is required, the Risk Management Function verifies at least twice a year whether the portfolio has the required rating.

c. Minimum rating for individual securities

EGI does normally not require a minimum rating for individual instruments or category of instruments and leave the portfolio manager to perform its 1st level controls in an autonomous way.
However, a specific fund operating procedure may require such minimum ratings, in which case it is the Risk Management Function which will perform the ex-post controls with the frequency fixed by the procedure.

VIII. 4. Controls on DIMs

The Risk Management Function performs the same controls on the funds managed by DIMs as those performed on portfolios managed directly by EGI as described in VIII.3.a. and b. above.
EGI ESG rating provider may be different from the one used by the DIM. This may generate relevant differences of rating as each provider has its own methodology, especially for the weight of the several ESG criteria. This dual approach (EGI and the DIM) will be beneficial as it will allow EGI to challenge the DIM assessment, especially when rating come out different.

IX. NEGATIVE EFFECTS, PRODUCT GOVERNANCE, CONFLICTS OF INTEREST, REMUNERATION POLICY, ENGAGEMENT

IX. 1. Negative effects of investments on sustainability

Ersel AM does not currently take into account the negative effects of investment decisions / advises on sustainability factors. Analysis of such effects will have to be performed as soon sector-specific regulations will be published on this topic.

IX. 2. Product Governance

As mentioned in § II.3. above, EGI coordinates its product governance policy (**EGI Marketing, Product Governance, Client Protection Policy**) with the ESG requirements of the present Policy. In particular EGI Marketing, Product Governance, Client Protection Policy must assure that:

- the specific ESG features of each of EGI fund is fairly and exhaustively conveyed to investors;
- products are designed and structured in accordance with ESG principles;
- the establishment of clients /investors profiles takes also into account their propensity to favour ESG values.

IX. 3. Conflicts of interest and remuneration policy

In line with the principles underlying the present Policy, EGI does not in any way encourage behaviours aimed at taking potential ESG risks.
Conduct that increases sustainability risk is considered as being on a par with a conflict of interest.
EGI does not adopt staff remuneration policies that conflict with the assessment of ESG risks.
In addition, **EGI Remuneration Policy** must framework the variable remuneration mechanisms in a way that decisions respecting / promoting ESG values and proper assessments of ESG risks are favoured and decisions with a negative impact on ESG values are discouraged.

IX. 4. Engagement

EGI Engagement and Voting Rights Policy provides for the framework of EGI engagement and voting actions in respect to issuers of instruments in which EGI invests. Those actions will also aim at challenging issuers on their ESG approach, if necessary.

X. PRODUCT GOVERNANCE, DISCLOSURES

X. 1. Website disclosures

EGI publishes and maintains on its website the following information for each financial product (UCITS, AIFs, DWM portfolios):

- the present Policy which allows the public to understand
  - EGI framework for ESG factors and risks and its sustainable investment objectives;
  - the methods used to assess, measure and monitor ESG factors and risks, including its data sources, screening criteria;
- the information referred to in Art. 8 and 9 of the SFDR (see below);
- the information referred to in Article 11 of the SFDR (see below).

This information shall be clear, succinct and understandable to investors. It shall be published in a way that is accurate, fair, clear, not misleading, simple and concise and in a prominent easily accessible area of the website.

X. 2. Prospectus disclosures

X. 2. 1. Art. 6 funds - transparency of the integration of sustainability risks

For the EGI funds which have chosen Art. 6 of the SFDR, EGI includes descriptions of the following in its fund prospectuses:

- the manner in which sustainability risks are integrated into their investment decisions;
- and the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available.

For funds where EGI deems sustainability risks not to be relevant, EGI includes a clear and concise explanation of the reasons therefore.

X. 2. 2. Art. 8 funds - transparency of the promotion of ESG criteria

For the EGI funds which have chosen Art. 8 of the SFDR and promote ESG criteria, EGI includes the following in its fund prospectuses, in addition to the information already mentioned in the previous paragraph:

- information on how the ESG criteria are met;
- if an index has been chosen as benchmark, information on whether and how this index is consistent with those criteria and where the method used for the calculation of the index can be found.

X. 2. 3. Art. 9 funds - transparency of sustainable investments

For the EGI funds which have chosen Art. 9 of the SFDR and have fixed sustainable investment as their objective, EGI includes the following in its fund prospectuses, in addition to the information already mentioned in paragraph II.1.:

- information on how the index is aligned with the objective;
- an explanation as to why and how the selected index differs from a broad market index.
- where an EGI fund has sustainable investment as its objective and no index has been selected as a benchmark, EGI includes an explanation on how that objective is to be attained;
- where an EGI fund has a reduction in carbon emissions as its objective, the information to be disclosed includes the objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement.

X. 3. Annual Report disclosures

EGI discloses in its annual reports the following information in respect to its funds that have chosen Art. 8 or 9 of the SFDR:

- the extent to which ESG criteria are met (Art. 8);
- for Art. 9 funds:
  - the overall sustainability-related impact of the fund by means of relevant sustainability indicators;
  - where an index has been selected as benchmark, a comparison between the overall sustainability-related impact of the financial product with the impacts of the index and of a broad market index through sustainability indicators.

X. 4. Marketing Material

EGI must assure that statements in its marketing material do contradict the information disclosed on the website, in the prospectuses and in the annual reports as per paragraphs X.1., 2., 3. above.

XI. CONFLICTS OF INTEREST, REMUNERATION POLICY

As mentioned in II.3.2. above, EGI Conflict of Interest Policy must mitigate any conflict of interest that may be in contradiction with ESG criteria.

XII. ENGAGEMENT

As mentioned in II.3.2. above, EGI Remuneration Policy must framework the remuneration mechanisms in a way that decisions respecting / promoting ESG values are favoured and decisions with a negative impact on ESG values are discouraged.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