

**Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** Leadersel Corporate Bond

**Legal entity identifier:** 213800S24K8D1MEZT181

## Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

**Yes**                         **No**

It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



## What environmental and/or social characteristics are promoted by this financial product?

### Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product.

Among the main ESG key themes, the Leadersel Corporate Bond ESG strategy prioritizes environmental issues, with a primary focus on carbon footprint and decarbonization targets, and social and governance issues, in terms of compliance with international development goals, litigations and labour rights.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Among the sustainability indicators used by the Investment Manager are:

- Environmental indicators:
  - carbon footprint (Tons of CO<sub>2</sub> per million invested);
  - carbon intensity (Tons of CO<sub>2</sub> per million of Company's revenues);
  - exposure to carbon (share of revenues from carbon);
  - exposure to fossil fuel (share of portfolio invested in fossil fuel exposed companies).

To promote decarbonization, the investment strategy has a target carbon footprint that should be at least 20% lower than its reference market index (ICE Euro Corporate Index – ER00) and excludes companies involved in carbon and non-conventional oil.

- Social indicators:
  - Compliance with UNGC (UN Global Compact), UNGP (UN Human Resources Guiding Principles), ILO's (International Labour Organization) fundamental principles and labour standards.
  - Controversy and Social Controversy Flag and Score (as assigned by MSCI ESG).

The investment strategy excludes all companies which fail to comply with UN and ILO guidance or show a "Red Flag" on controversies (i.e. with a "severe" controversy status as assigned by MSCI ESG).

In addition to the above-mentioned sustainability indicators, to attain the environmental and social characteristics promoted by the Sub-fund, the portfolio combines negative screening to define the sustainable investment universe, integration of ESG variables in the security selection process and binding elements in terms of portfolio construction.

The Sub-Fund undertakes to promote, through the implementation of specific screening criteria and the application of exclusion lists, investments aimed at reducing the negative impacts on society and the environment and excluding from its investment universe certain issuers operating in sectors considered controversial, identified in the context of the sub-fund's responsible investment

policy, to which we invite you to refer for further details at the following link: <https://www.ersel.it/en/dam/jcr:32049161-66af-438c-bf84-4afa276629ef/Responsible%20Investment%20ESG%20Policy.pdf>

In terms of portfolio construction, the strategy excludes worst-in-class companies, limits its exposure to ESG laggards (below average) and targets a weighted average ESG score, as measured by the Investment Manager methodology, equal or higher than 70 on a scale from 0 to 100. In doing so, the Investment Manager seeks to allocate more capital towards those issuers that can generate positive externalities for the whole society on a long-term horizon from an environmental and social standpoint by achieving

No benchmark index has been designated to meet the environmental or social characteristics of the Sub-Fund.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

N/A. This financial product promotes environmental and/or social characteristics, but does not have sustainable investment as an objective.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective***

N/A

How have the indicators for adverse impacts on sustainability factors been taken into account?

N/A

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

N/A

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does this financial product consider principal adverse impacts on sustainability factors?

- ✘ Yes, in line with Article 7 of the Sustainable Finance Disclosure Regulation, this fund considers the Principal Adverse Impacts (PAI) of its investment decisions.

While the ability to currently meaningfully assess these impacts may be limited by an absence or limited availability and quality of information, the Investment Manager will continue to further develop these processes to gather, when available, information and data on PAI of their investments.

The present table summarizes the lists of the principal adverse impacts considered (Annex I of the Commission delegated regulation supplementing Sustainable Finance Disclosure Regulation). More information on how the Sub-fund considers its principal adverse impacts may be found in the periodic reporting of the Sub-fund.

<b>Adverse sustainability indicator</b>	<b>Explanation and targets</b>
Carbon footprint	The sub-manager regularly measures the financial product's Carbon footprint and GHG intensity of investee companies and monitor periodically how they evolved with respects to previous periods observations. Carbon footprint and GHG intensity have been identified as the most relevant adverse indicators to measure the alignment of the portfolio with the ESG characteristics promoted by the sub-manager.
GHG intensity of investee companies	
Exposure to companies active in the fossil fuel sector	Exclusion policy prevents the investment in companies involved in specific fossil fuel segments above a defined threshold. Companies with more than 5% of revenues from coal, unconventional oil & gas and artic oil & gas are excluded by the investable universe
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Companies involved in controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons) are excluded from the investable universe
Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Companies non-compliant or acting in violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises are excluded from the investable universe



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The investment strategy adopted by the sub-fund aims to achieve long-term capital growth by investing mainly in debt instruments issued by European financial and non-financial companies.

The Fund's portfolio is constructed by paying strong attention to bottom-up selection according to a high conviction logic that results in a concentration of investments on a small number of positions. Bond selection, however, also reflects top-down allocation choices that define the overall exposure to macro risks.

The investment process follows an approach characterized by several stages:

- In the first stage, the investable universe is screened to exclude non-compliant issuers and securities;
- Next, the best investment opportunities are identified and selected through proprietary relative value models and fundamental analysis;
- Finally, the portfolio is constructed to reflect the desired risk positioning and within strict investment limits.

Given the objective of fostering through its strategy the integration of sustainability factors as part of its investment process, the sub-fund is committed to integrating ESG assessments at all stages described above, in addition to the screening processes, both positive and negative, defined as part of the Management Company's investment policy.

The inclusion of ESG factors in the internal rating process of issuers allows for a more detailed assessment of the risk-return profile of a corporate bond, thereby improving its expected risk-adjusted return.

In addition, screening the investable universe according to ESG criteria, setting exposure limits for companies with a low ESG rating, and identifying investment portfolio objectives in terms of ESG profile and carbon footprint allow the sub-fund to allocate a greater share of capital toward those issuers deemed capable of generating positive externalities for society, over a long-term horizon, both in terms of environmental and social impact.

The integration of ESG factors within the investment process can be summarized as follows:

- the investable universe is filtered by excluding sectors, countries, and companies that do not meet the exclusion criteria defined within the responsible investment policy adopted by the Management Company;
- when assessing investment opportunities, the sub-fund integrates variables such as ESG rating and other ESG variables into the internal bond selection model, either by adopting a quantitative or qualitative approach;
- ESG objectives defined at the portfolio level in terms of average ESG rating, carbon footprint, and maximum percentage of exposure to

issuers with ESG ratings below a certain threshold (e.g., MSCI Rating  $\leq$  BBB) are binding elements that contribute to the overall risk management of the portfolio.

Please refer to the section headed Investment Policy of the Sub-fund.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The investment strategy ensures compliance with the environmental/social characteristics promoted by the fund through:

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- the exclusion from the investable universe of sectors, companies and activities that conflict with the ESG values promoted by the Ersel Group (amongst which the exclusion of companies that are involved in violations of the UNGC principles, or that are involved in the manufacture or sale of controversial weapons);
- the weighted ESG average score of the securities portfolio must be equal to or higher than 70 on a scale from 0 to 100 of the MSCI scoring;
- investing in worst-in-class issuers is not allowed (score below 15/100) and a limit of maximum 10% exposure has been set both for laggard issuers (i.e. with an ESG score below 40/100 according to the Investment Manager methodology) and not rated issuers;
- the carbon footprint of the portfolio, measured in tonnes of CO<sub>2</sub> per million invested, must be at least 20% lower than the relevant benchmark (ICE Euro Corporate Index - ERO0).

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate of reduction of investments that do not comply with the ESG strategy at present. However, the following exclusion criteria ensure that investment will comply with the investment policy:

- bonds issued by companies that do not comply with international treaties such as those on controversial weapons, 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;
- bonds issued by companies or countries that are in serious breach of UN principles or OECD guidelines;
- issuers which operate in countries subject to international sanctions or which violate the UN Global Compact principles;
- bonds issued by companies that are significantly involved in tobacco production, or tobacco distribution;

- bonds issued by companies that derive more than 5% of revenues from adult entertainment and pornography, manufacturing and distribution of civil weapons, unconventional oil and gas or arctic oil and gas extraction, or coal mining or coal-based energy generation;
- bonds issued by companies or countries which are subject to severe ESG controversies depending on data provided by external providers or Sub-Manager internal research.

Please refer to the Fund's responsible investment policy for more details.

● **What is the policy to assess good governance practices of the investee companies?**

To assess good governance practices of the investee companies, the Management Company has adopted an approach based on the use of specific indicators provided by MSCI, i.e., the MSCI ESG Controversies and the MSCI ESG Rating indexes relating to the Social and Governance pillars. This approach envisages excluding from the investment portfolio of the Sub-Fund all issuers for which red flags have been identified. The Management Company's 'Good Governance Assessment Practices' policy can be found at the following link: <https://www.ersel.it/en/dam/jcr:c74bb283-a029-4a99-bcac-9833b3d1c3ec/Good%20Governance%20Practices%20-%20ESG%20EN.pdf>

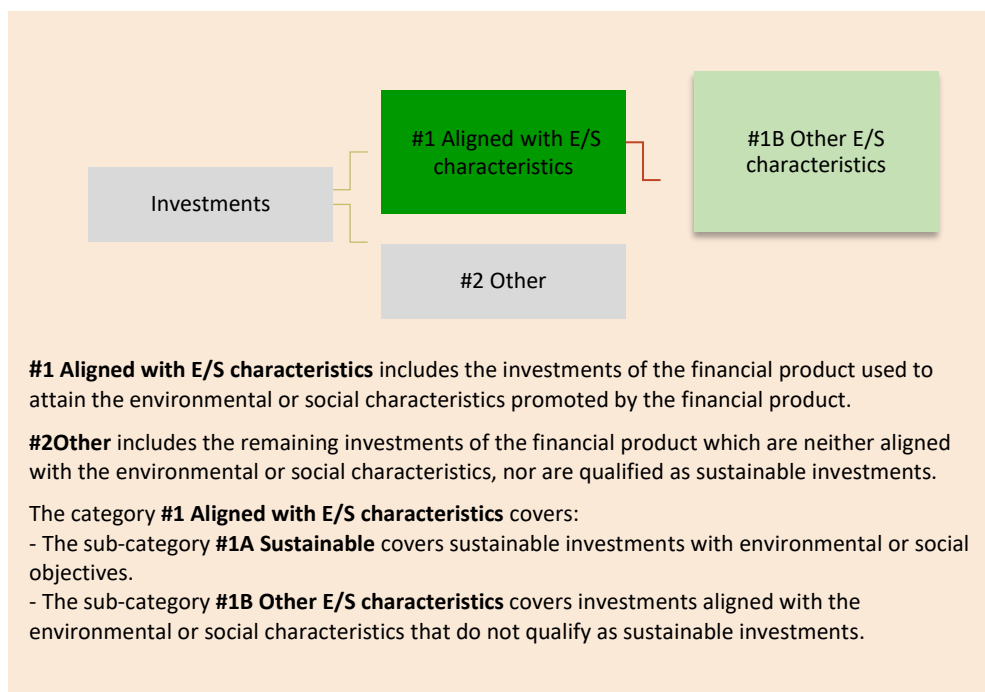


**What is the asset allocation planned for this financial product?**

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- turnover** reflecting the share of revenue from green activities of investee companies
- capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- operational expenditure**



The Sub-fund foresees a percentage of investments aligned with the promoted environmental and social characteristics that do not qualify as sustainable investments equal to at least 70% of the investment portfolio, net of cash,



money market instruments and derivatives. The percentage is set applying the sustainable investment strategy to the portfolio.

The category “#2 Other” includes investments of the financial product that are neither aligned with environmental or social characteristics nor qualify as sustainable investments, which may represent up to 30% of the investment portfolio, net of cash, money market instruments and derivatives. For securities included in “#2 Other”, minimum environmental or social safeguards apply. Issuing companies must not be involved in violations of UNGC principles and must not be involved in very serious litigation concerning environmental, social or governance issues or socially controversial activities.

The investments in “#2 Other” allow an efficient portfolio management by reducing concentration and market risk.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The investment strategy includes investment in derivative instruments, but not for the purpose of promoting the environmental and social characteristics of the Sub-Fund.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The strategy does not have a target minimum alignment to the EU taxonomy on sustainable investments.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

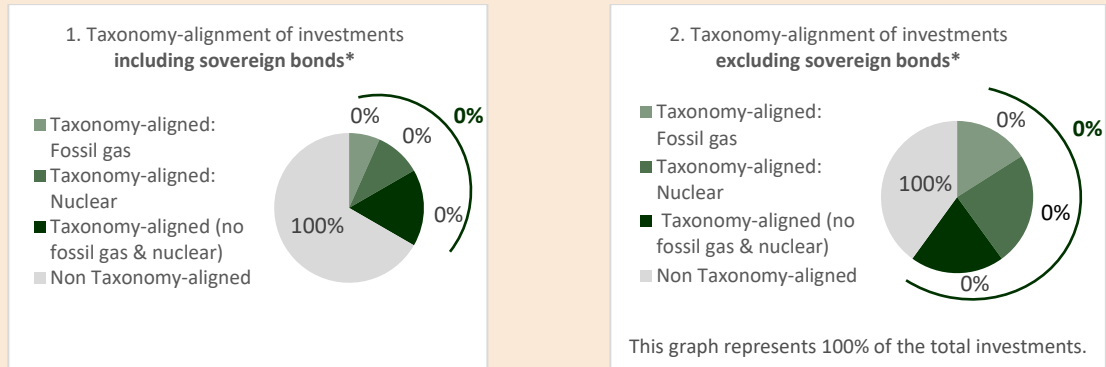
Yes:

In fossil gas  In nuclear energy

No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

N/A

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

N/A



**What is the minimum share of socially sustainable investments**

N/A



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The category “#2 Other” includes the remaining 30% of the investment portfolio of the financial product which are neither aligned with the environmental or social characteristics nor are qualified as sustainable investments, net of cash, money market instruments or similar instruments and derivatives. Securities included in this category present an ESG score below 40/100 (according to the Investment Manager methodology) or do not have an ESG rating. For securities included in “Other”, minimum environmental and social safeguards apply. Corporate issuers need to be

compliant with the UNGC principles or OECD Guidelines for Multinational Enterprises and not be involved in very severe controversies regarding environmental, social or governance issues or socially controversial activities. The investments in “#2 Other” allow an efficient portfolio management by reducing concentration and market risk.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

There is no designated benchmark for this fund to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

N/A

- ***How does the designated index differ from a relevant broad market index?***

N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

Further information on the product can be found at the following link:

<https://www.ersel.it/gruppo-ersel/sostenibilita>