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

Product name: Long Term Income Fund
Legal entity identifier: 21380085UQ93P1L78V23

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental 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 10% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

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

Long Term Income Fund promotes a range of environmental and social characteristics by integrating environmental, social and governance ('ESG') criteria into the investment process and allocating its resources in issuers contributing to environmental challenges such as energy consumption, waste, pollution, reduction of greenhouse gas emissions, protection of biodiversity and climate change. The Sub-Fund promotes also social criteria by investing in company aiming at developing their human capital by referring to fundamental principles universally in scope, such as human resources management, equal opportunities, health and safety.

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, promoting the allocation of its resources in production processes that do not generate negative effects on the climate, and excluding from its investment universe certain issuers operating in sectors or countries 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/ersel-group/sustainability

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

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

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To achieve the environmental or social characteristics promoted by the Sub-Fund the portfolio combines negative criteria of exclusions and positive criteria of selection aimed at excluding issuers characterised by poor ESG performance and, at the same time, promoting investments in best-in-class issuers (for further details please consult the Sub-fund's Responsible Investment Policy available at the following link: https://www.ersel.it/en/ersel-group/sustainability).

Sustainability data are mainly provided by MSCI ESG Research (“MSCI”)

Sectors, companies and activities that conflict with the ESG values promoted by the Ersel Group and specific to the Sub-Fund are excluded from the investable universe: for example, issuers that are involved in violations of the United Nations Global Compact (UNGC) principles or do not comply with international treaties such as those on controversial weapons or whose revenues come from tobacco production.

The composition of the Sub-Fund's portfolio is made of companies that have an ESG rating higher than a certain threshold or that qualify as best in class in their sector (i.e. that have a better ESG rating on equivalent financial indicators). Only issuers that have a minimum ESG scoring equal to "average" according to the MSCI methodology, are considered. Up to 5% of the investment portfolio can be allocated to issuers rated as “laggards”, according to MSCI ESG, if they show a positive momentum in terms of improving their ESG scoring, to incentivise and support their efforts to improve their ESG practices. The ESG performance of each company is assessed through ESG scoring that rates the companies' ability to manage environmental, social and governance risks and opportunities; seven different scoring grades are used, ranging from ”leaders” (rating AAA and AA), “average” (rating from A, BBB, BB) and “laggards” (rating B and CCC). The weighted average rating of the investment portfolio cannot be lower than 'average' of the MSCI scoring.

With regard to the target funds, the environmental or social characteristics promoted by the Sub- fund is coherent only if target funds and ETFs are classified as "Article 8 and 9 funds" under the Sustainable Finance Disclosure Regulation” (SFDR).The Sub-Fund pays attention to MSCI Sustainable Impact Metrics aiming at measuring revenue exposure to sustainable impact solutions and support actionable thematic allocations in line with the U.N. Sustainable Development Goals (SDGs), and other sustainability-related

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?

Long Term Income Fund aims to have at least 10% of revenue of the underlying issuers exposed to sustainable impact solution. Sustainable Impact measures revenue exposure to Sustainable Impact Solutions which reflects the extent to which company revenue is exposed to products and services that help solve the world's major social and environmental challenges.

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?

EGI Responsible Investment ESG 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. The sustainable investments of the Sub-Fund respect the "do no significant harm principle" by abiding to the following negative screening criteria:

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.

- Exclusion from the investible universe of the Sub-Fund of all investments in companies that do not comply with international treaties such as those on controversial weapons (as for example the 2008 Convention on Cluster Munitions, or the 1997 Ottawa Treaty on anti-personnel mines) or the rules on the use of depleted uranium.

- Exclusion from the investible universe of the Sub-Fund of issuers whose revenues come from tobacco production or that earn more than:

- 50% of their revenues from tobacco distribution,

- 25% of their revenues from coal mining,

- 25% of their revenues from coal-based electricity generation,

- 25% of their revenues from extraction of hydrocarbons from tar sand or fracking,

- 10% of their revenues from extraction of hydrocarbons in the Arctic are also excluded.

- Exclusion from the investible universe of the Sub-Fund of countries subject to international sanctions or which violate the UN Global Compact principles.

- Exclusion from the investible universe of the Sub-Fund of companies involved in either violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises, or are subject to investment restrictions by the UN, EU, USA.

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.

How have the indicators for adverse impacts on sustainability factors been taken into account?
The Fund takes into account some of the indicators for adverse impacts on sustainability, such as the collection and monitoring of indicators relating to greenhouse gas emissions of investments (Carbon Footprint and GHG Intensity of beneficiary companies) and indicators relating to social issues for companies, (violations of UNGC principles and OECD guidelines for multinational companies, lack of adequate procedures and mechanisms to monitor compliance to the previous point and exposure to controversial weapons) and sovereign (Investee countries subject to social violations). Regarding the monitoring of the environmental indicators, the fund aims to have a trend of declining emission intensity (over a 3-year rolling period) while for the social ones, the fund aims to have no exposure to companies/countries flagged by the selected adverse impact indicators.

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

The MSCI Sustainable Impact Metrics framework is used to assess the extent companies' products and services address at least one of the major social and environmental challenges, as defined by the UN Sustainable Development Goals (UN SDGs). For the companies, funds and ETFs in portfolio, MSCI ESG supply the aggregate percentage calculated with the look-through of the underlying issuers.

Green, Social and Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance eligible Social/Environmental Projects. Social/Environmental Projects directly aim to address or mitigate a specific social/environmental issue and/or seek to achieve positive social/environmental outcomes.

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

☐ Yes

x No

What investment strategy does this financial product follow?

The Sub-Fund allocates capital to a diversified set of asset classes, ranging from liquidity, to fixed income, to equity and to alternative investments. The main geographical focus, i.e. more than fifty percent (50%) of the Sub-Fund's assets, is on developed market, but the Sub-Fund can also invest in emerging markets. Each asset will be represented either by a selection of direct financial securities (both listed and unlisted) or by UCITS or UCI (of open and closed form).

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:

- Idea generations: EGI responsible investment ESG Policy excludes certain categories of sectors, countries or issuers, that operate is sectors that are considered “non ESG” or that behave in a way that contradicts ESG values
- Portfolio allocation: Once the negative exclusion screens and the positive selection criteria 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.

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.

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

The investment strategy ensures compliance with the environmental/social characteristics promoted by the Sub-Fund through:

-

- Exclusion screening: EGI responsible investment ESG 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. More details can be found in the Sub-fund ESG Policy at the following link: https: //www.ersel.it/en/ersel-group/sustainability.

- Positive screening for Issuers: the ESG ratings assigned by MSCI are mainly considered, favouring issuers with a rating higher than a certain threshold or a better rating in each sector, relative to the other comparable issuers; for this purpose only issuers rated as "leader" and "average" are considered. The Investment Manager may also integrate internal ESG research into its analysis where available.

- Up to 5% of the investment portfolio can be allocated to issuers rated as “laggards”, according to MSCI ESG, if they show a positive momentum in terms of improving their ESG scoring

- Positive screening for target funds: Only funds and ETFs classified as "Article 8 and 9 funds" under the Sustainable Finance Disclosure Regulation” (SFDR) pass the positive screening;

- Negative screening: The maximum overall exposure to both financial instruments of issuers without an ESG rating and to Funds and ETFs not classified as "Articles 8 or 9" under the SFDR may not exceed twenty five percent (25%) of the total assets of the Sub-Fund.

- 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 “average” as per the MSCI methodology. For this purpose, using mainly the ESG ratings assigned by MSCI, the portfolio average rating must be at least BBB. In the event of a lack of information on issuers by MSCI, the Investment Manager may use data from other ESG providers and/or internal ESG research.

- At least 10% of revenue of the underlying issuers should be exposed to sustainable impact solution following the MSCI Sustainable Impact Metrics aiming at measuring revenue exposure to sustainable impact solutions and support actionable thematic allocations in line with the U.N. Sustainable Development Goals (SDGs), EU Taxonomy of Sustainable Activities, and other sustainability-related frameworks. This aggregate percentage is calculated as a weighted average, using portfolio weights and each issuer's percent of revenue generated from Sustainable Impact Solutions. For the funds and ETFs in portfolio, MSCI ESG supply the aggregate percentage calculated with the look-through of the underlying issuers. Only issuers and funds/ ETFs with the revenue data are included in the analysis.
These categories of bonds are not subject to negative and positive screening.
Any investment in green bonds is deemed to account for 100% exposure to sustainable impact solutions as the European regulation explicitly recognizes their alignment with the EU taxonomy. For social, sustainability and sustainability-linked bonds, as they are not yet covered by dedicated European regulations, any investment in those instruments is deemed to account for 100% exposure to sustainable impact solution as long as the following conditions are satisfied: 1) the issuers have publicly disclosed their external review reports, in accordance with the recommendations of the International Capital Market Association (ICMA); and 2) the external review shows a positive alignment of the issue with the ICMA principles and the UN Sustainable Development Goals.

In compliance with the EGI Responsible Investment ESG Policy, the bond component of the portfolio can be invested in the following categories of issues, even if the issuers of such instruments fall within the exclusion criteria, because their stated purpose is to incentivise and finance initiatives in favour of the environment and the society: green bonds, social bonds and sustainability bonds

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.

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

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

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/ersel-group/sustainability

Asset allocation describes the share of investments in specific assets.

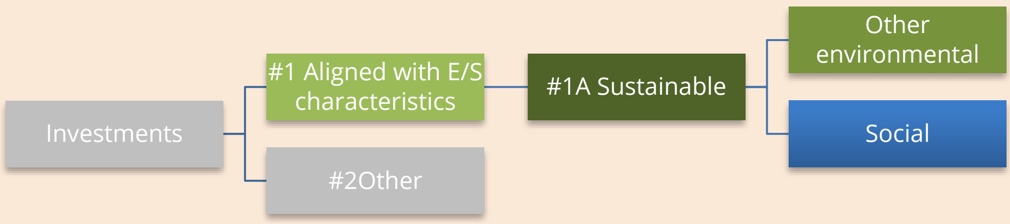
What is the asset allocation planned for this financial product?

The Sub-Fund will allocate capital to a diversified set of asset classes, ranging from liquidity, to fixed income, to equity and to alternative investments. It is foreseen a percentage of investments aligned with the promoted environmental and social characteristics that do not qualify as sustainable investments equal to at least 75% of the investment portfolio, net of cash and money market instruments. The percentage is set by 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, mainly equity, bonds, and funds and index derivatives, which may represent up to 25% of the investment portfolio, net of cash and money market instruments.

For securities included in "#2 Other", minimum environmental or social safeguards apply. Issuing companies must not be involved in violations of UNCG 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.

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** (OpEx) reflecting green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

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 corresponding to the best performance.

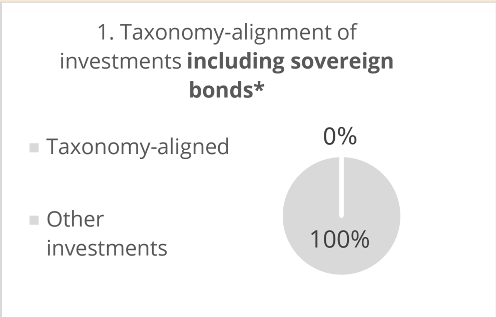
How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

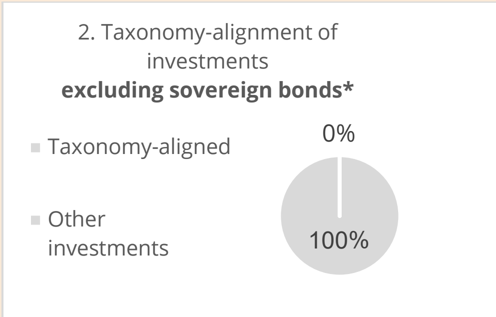
Index derivatives are excluded from positive screening, while for individual stocks and sector derivatives, look-through of the underlying index is applied.

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

N/A

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?

Long Term Income Fund aims to have at least 10% of revenue of the underlying issuers exposed to sustainable impact solution (as per MSCI Sustainable Impact Metrics of which at least 6% exposed to environmental sustainable impact solutions, as this is the primary sustainable objective the fund is promoting. This percentage is calculated as a weighted average, using portfolio weights and each issuer's percent of revenue generated from Environmental Impact Solutions. For the funds and ETFs in portfolio, MSCI ESG supply the aggregate percentage calculated with the look-through of the underlying issuers. Only issuers and funds/ ETFs with the revenue data are included in the analysis. Green, Social and Sustainability Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance eligible Environmental Projects. For green bonds specifically, any investment in those instruments is deemed to account for 100% exposure to Environmental Impact solution as the European regulation explicitly recognizes their alignment with the EU taxonomy. For sustainability and sustainability-linked bonds, any investment in those instruments is deemed to account to Environmental Impact solution as long as the following conditions are satisfied: 1) the issuers have publicly disclosed their external review reports, in accordance with the recommendations of the International Capital Market Association (ICMA); and 2) the external review shows a positive alignment of the issue with the ICMA principles and the UN Environmental Development Goals.

What is the minimum share of socially sustainable investments?

Long Term Income Fund aims to have at least 10% of revenue of the underlying issuers exposed to sustainable impact solution (as per MSCI Sustainable Impact Metrics). As the primary sustainable objective is environmental, the social category is a residual category and the fund do not explicitly target a minimum threshold
This percentage is calculated as a weighted average, using portfolio weights and each issuer's percent of revenue generated from Social Impact Solutions. For the funds and ETFs in portfolio, MSCI ESG supply the aggregate percentage calculated with the look-through of the underlying issuers. Only issuers and funds/ ETFs with the revenue data are included in the analysis.
For social, sustainability and sustainability-linked bonds, any investment in those instruments is deemed to account to social Impact solution as long as the following conditions are satisfied: 1) the issuers have publicly disclosed their external review reports, in accordance with the recommendations of the International Capital Market Association (ICMA); and 2) the external review shows a positive alignment of the issue with the ICMA principles and the UN Social Development Goals

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

The category "#2 Other" refers to the remaining investments of the Sub-Fund that are neither aligned with environmental or social characteristics nor qualify as sustainable investments. Some investments 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.

The maximum overall exposure to both financial instruments of issuers without an ESG rating and to Funds and ETFs not classified as "Articles 8 or 9" under the SFDR may not exceed twenty five percent (25%) of the total assets of the Sub-Fund, net of cash and money market instruments.

For securities included in “#2 Other”, minimum environmental or social safeguards apply. Issuers of such securities must not be involved in violations of the UNGC principles and must not be involved in very serious litigation concerning environmental, social or governance issues or socially controversial activities. For Underlying Funds that are included in “#2 Other”, a negative screening is carried in order to identify compatibility with reference to the Sub-Fund's ESG Policy, including only funds that manage the sustainability risk as defined in the SFDR. The investments in “#2 Other” allow an efficient portfolio management by reducingconcentration 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.

No benchmark index has been defined to measure the attainment of the environmental and social characteristics promoted by the Fund.

- ***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

More product-specific information can be found on the website: https://www.ersel.it

Further information on the product can be found at the following link: https://www.ersel.it/en/ersel-group/sustainability