



ESG POLICY

Fondaco Lux S.A.

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TABLE OF CONTENTS

TABLE OF CONTENTS	4
INTRODUCTION	5
LEGAL FRAMEWORK.....	5
OBJECTIVE	5
ESG FACTORS IN INVESTMENT PROCESS	6
PRINCIPAL ADVERSE IMPACT	7
TRANSPARENCY OF REMUNERATION POLICY REGARDING THE INTEGRATION OF SUSTAINABILITY RISKS.....	8
POLICY ON THE INTEGRATION OF SUSTAINABILITY RISKS.....	8

INTRODUCTION

Fondaco Lux S.A. ("**Fondaco Lux**") is a management company fully owned by Fondaco SGR S.p.A. (together "Fondaco Group") that is itself owned by some of Italy's most important banking foundations and which activity is dedicated to institutional investors, such as foundations but also pension funds, welfare funds and insurance companies.

Social responsibility is therefore, an intrinsic element in the nature of Fondaco and its shareholders and investors, aligning the objectives of asset management with those characteristics of its specific activity in the interest of the community and respecting the priorities of investors.

Moreover, the monitoring and containment of risks other than purely financial ones are not only functional to investment activity but also to a more sustainable development of the society in which Fondaco Lux's stakeholders operate.

OBJECTIVE

Fondaco Lux's goal is to support change with a long-term vision, protecting and growing investors' assets while at the same time integrating environmental, social and governance (ESG) criteria into business management and investment processes.

Fondaco Group began to give concrete consideration to the principles of social responsibility as early as 2006, integrating them into its investment activities and services.

LEGAL FRAMEWORK

This Policy is designed with a view to comply with the requirements set out in:

- 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 (the "SFDR");
- Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre contractual documents, on websites and in periodic reports.
- 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;

- Commission Delegated Regulation (EU) 2021/2139 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.

ESG FACTORS IN INVESTMENT PROCESS

An ESG assessment is carried for any new investment and aims at ensuring that ESG factors are considered when assessing the compliance of a target security with the relevant SFDR provisions applicable to the fund (or sub-fund) managed.

Assessments are based on the ESG information reported within the prospectus and qualitative criteria disclosed by the target fund managers.

The selection of liquid securities for the funds managed by Fondaco Lux, from the point of view of ESG integration, is carried out on the basis of the target security or target fund rating (publicly available information and scores from third-party providers), in consideration of the SFDR provisions applicable to the managed portfolio.

Regarding alternative investments, given their long-term horizon and their reduced liquidity, attention is paid during the screening and due diligence phase.

Each portfolio manager undergoes an update on the analysis performed, to ascertain whether any events have occurred that compromise the sustainability assessment and may represent a risk for Fondaco Lux.

When relevant, a sustainability 'score' is considered and measured to the greatest possible degree of detail by combining external assessments and internal analysis, and an absolute or relative (depending on the type of product) minimum limit is defined for the portfolio.

The same evaluation mechanism may also be applied at the individual instrument level in order to exclude less sustainable or ethic companies and countries from the investable universe.

Fondaco Lux may also define, if it deems necessary, a black list of issuers considered non-sustainable and, therefore, non-investable. This same procedure is applied to externally delegated portfolios and, if applicable, third-party funds, within the limits of the availability of detailed information on the underlying portfolio, with the aim of aligning these portfolios with those managed directly, as well as giving preference to companies that integrate social responsibility assessments into their investment process.

With reference to the creation of dedicated vehicles, Fondaco Lux supports its investors with the utmost flexibility in the implementation of their respective social responsibility policies, through the definition of precise investment guidelines, the application of possible exclusion or restriction principles of the investable universe, the selection of specific benchmarks and an adequate control and risk management activity.

Fondaco Group cooperates with specialised advisors in the realisation of its policy and adheres to the Principles for Responsible Investing (PRI).

Fondaco Group is committed to supporting change in the long term by developing the principles of sustainability in its own corporate activities as well.

Fondaco is also committed to complying with its obligations under EU Regulation 2019/2088 on sustainability transparency in the financial services sector.

For a better description of the approach, please refer to the relevant policy available on the Company's website at following link: <https://fondacogroup.it/lux/sostenibilita/policies/>.

PRINCIPAL ADVERSE IMPACT

Fondaco Lux considers in some instances the significant adverse effects on sustainability aligned with the environmental, social and governance goals, establishing if it may be the case minimum limits to the ESG rating of the issuers invested in, as described above.

Investment decisions and advice might indeed cause, contribute to or be directly linked to effects on sustainability factors that are negative, material or likely to be material. The main adverse impacts on sustainability are those impacts of investment decisions that have a negative impact on sustainability factors.

Regarding the obligations relating to the consideration of the principal adverse effects of investment decisions on sustainability factors (referred to as "PAI" – Principal Adverse Impacts) under Article 4(1)(a) and (b) of 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 (referred to as "SFDR") as amended and supplemented, in case Fondaco Lux consider principal adverse impacts of investment decisions on sustainability factors, a statement on the relevant policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available and maintain on Company's website at the following link: <https://fondacogroup.it/en/lux/sustainability/>. Alternatively, in case PAI are not considered in the investment strategy of the funds a clear reason - including, where relevant, information as to whether and when Fondaco Lux S.A. intend to consider such adverse impacts – are published and maintained on Company's website at the following link: <https://fondacogroup.it/en/lux/sustainability/>.

At the time of preparation of this policy Fondaco Lux does not take into account the principal adverse impact of its investment decisions on sustainability factors.

Fondaco Lux will continuously re-evaluate the evolution of the regulatory framework and the availability of indicators to determine the main adverse effects, aiming to expand and improve the consideration of the main negative effects.

TRANSPARENCY OF REMUNERATION POLICY REGARDING THE INTEGRATION OF SUSTAINABILITY RISKS

Fondaco is aligned with SFDR and best practices regarding objectives' integration linked to ESG issues in its staff remuneration and incentive policy. The remuneration has a direct link between specific sustainable evolution's indicators of the asset under management and the determination of the overall variable remuneration and the assignment of individual goals linked at least to each member of the portfolio management team, as further described in the relevant policy available on the Company's website at following link: <https://fondacogroup.it/en/lux/sustainability/>.

POLICY ON THE INTEGRATION OF SUSTAINABILITY RISKS

Fondaco considers fundamental the integration of Environmental, Social and Governance (ESG) factors into its investment process. Besides promoting sustainable economic and social development, we believe that these elements can contribute positively to the financial results of the funds while reducing their risks. It is considered that financial market participants committed to integrating ESG criteria into their strategy can generate sustainable profits over time and, therefore, create a solid prospect of value creation for all investors and the whole community.

The approach adopted by Fondaco in pursuing and monitoring the pre-set goals and identifying and mitigating risks includes creating an appropriate governance structure to oversee all aspects related to the ESG approach and adopting an ESG risk management policy. For a better description of the approach, please refer to the relevant policy available on the Company's website at following link: <https://fondacogroup.it/en/lux/sustainability/>.