



ESG INVESTMENT POLICY

(Appendix to the portfolio
management procedure)

Fondaco Lux SA

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ESG INVESTMENT POLICY

OBJECTIVE

With the aim to comply with the green finance regulation (ESG criteria + Climate Change + taxonomy) - 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. - 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 (the so-called green taxonomy regulation), Fondaco Lux SA (the "Management Company") has defined this policy in order to identify procedures and methods for the selection of securities in light of environmental, social and governance ("ESG") characteristics for the funds (the "Funds") for which the Company acts as investment manager.

Moreover, the Company follows the United Nations Principals of Responsible Investments ("PRI") as in 2020 it become member under the status of Service Provider. Therefore, the Company follows the six principles of responsible investment and is engaged in regular reporting as requested by the United Nations PRI.

The six principles are the following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Those principles are used into the Management Company investment processing for those Investment categories:

LIQUID SECURITIES

Listed Funds

Equity/ETF

Fixed Income

Listed/OTC derivatives/structured products with above mentioned instruments as underlying

ILLIQUID SECURITIES

Alternative Funds

TAXONOMY

Based on the SFDR, there are essentially four types of portfolios that can be managed in relation to the ESG profile:

- Art. 9 SFDR "Dark Green Portfolios": portfolios which has sustainable investments as its objective and therefore the ESG risk is crucial in the portfolio management activity. The investment guidelines, objective and limits reflect this objective.
- Art. 8 SFDR "Medium Green Portfolios»: portfolios which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.
- Art. 6 SFDR "Light Green Portfolios": portfolios in which ESG risk factors are taken into consideration in the portfolio management activity and sustainability risks are integrated in investment management decisions. In this case there may not be precise limitation, exclusion in the investment universe or qualitative and quantitative limits imposed by the prospectus in relation to ESG risks.
- Art. 6 SFDR "No Green Portfolios": portfolios in which ESG and sustainability risks are not relevant and are not taken into consideration in the portfolio management activity and, according to Art 6 of SFDR, a precise explanation of this exclusion is provided.

However, not all the financial instruments have an ESG rating. This may be due to the specific nature of the security (e.g. FX derivatives, certain alternative investment funds).

SELECTION OF LIQUID SECURITIES

The selection of liquid securities for the portfolio of funds managed by the Management Company, 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 article applicable to the managed portfolio.

Portfolio ESG Rating for target funds and other liquid securities

For Dark Green Portfolios, Medium Green Portfolios and Light Green Portfolios, the Management Company selects securities on the basis of their ESG rating and scores; the latter are provided by third party dedicated entities which are in charge of analysing each company/fund profile in relation to social (S), environmental (E) and governance (G) aspects as well controversies and special events that may change their ESG profile.

Art. 8 Funds managed by Fondaco Lux S.A.: the third-party funds and ETFs are selected in a way such that at least 75% of them are themselves classified Art. 8 or Art. 9 SFDR, without compromising its adherence to the investment strategy.

Other listed securities included in Art. 6 Funds managed by Fondaco Lux S.A.: the selection of target securities is based on exclusion criteria. Companies/issuers who commit serious violations of the United Nations Global Compact's human rights, labour standards, environmental protection and anti-corruption principles are excluded from investable universe.

Also excluded are issuers whose revenues from controversial activities deemed harmful to society and/or the environment exceed pre-defined limits; i.e., cluster bombs, landmines and chemical and biological weapons, as envisaged by the Oslo Conventions, the Ottawa Convention, the Chemical Weapons Convention and the Biological Weapons Convention.

SELECTION OF TARGET ALTERNATIVE FUNDS

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

In occasion of the initial selection phase, potential investments are assessed based on the ESG information reported within their prospectus and qualitative criteria disclosed by the target fund managers. The investment team must therefore take into account the ESG information available, considering the ESG characteristics of the target fund within the context of the wider portfolio and relative taxonomy article. A control ex post can be carried out by the Risk Department Manager (with support from the investment team itself) based on the analysis of the ESG policies and track record of the target fund manager. This analysis, as well as the Investment Due Diligence performed by the investment team, is presented to the Investment Committee which approves each investment. During the fund's life, up to date version of fund documents (PPM, LPA) and reports may be requested to verify alignment with ESG scoring, if necessary.