

Responsible Investment Policy Finlabo

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1 Objective

The objective of the Responsible Investment Policy (hereinafter the “Policy”) is to provide a detailed description of the activities carried out towards the appropriate integration of Sustainability criteria into the Investment Management of the Sub Funds for which Finlabo SIM S.p.A. (hereinafter “Finlabo”) performs the function of Investment Manager. In the scope, we are considering funds under Article 8 of SFDR (EU 2019/2088), those are financial products that promote environmental and social characteristics, but they do not have sustainability investment as their objective according to Article 9 of SFDR.

Investments within the Sub-Funds do not take into account the EU Taxonomy criteria (Regulation EU 2020/852 on the establishment of a framework to facilitate sustainable investment) for environmentally sustainable economic activities.

This Policy applies limited to the Sub-Fund Finlabo Dynamic Equity, therefore excluding all other Sub-Funds for which Finlabo performs the function of Investment Manager.

The Policy will be reviewed and updated at least every two years by the Investment Committee and the Compliance and Risk Officer.

2 Regulatory Framework

The Policy has been drawn up pursuant to the EU Regulation 2019/2088, European Union’s Sustainable Finance Disclosure Regulation (SFDR), which imposes transparency and sustainability related disclosure requirements to Financial Markets Participants (FMP), in investment decision making and in advisory processes.

The Sub-Funds under management of Finlabo are required to disclose the manner in which sustainability risks, within the meaning of SFDR, are integrated into the investment decision and the results of the assessment of the likely impacts of sustainability risks on the returns of the Sub Funds.

3 Definitions

For the purpose of the Policy, and aligned with the Regulation, the following definitions apply:

- “Sustainability Factors” mean Environmental, Social and Governance (ESG), hereafter also referred to as “ESG”;
- “Sustainable Investment” refers to the integration of Sustainability Factors into the investment decision-making process. Typically, market participants will consider the risk and rewards of a broad range of ESG criteria on which companies are measured.

4 ESG Tools

Finlabo has adopted different tools based on ESG data collected from third party research, databases, and public information. The main data provider used is Refinitiv and integrated with others for different asset class, such as Morningstar for funds selection.

In addition Finlabo uses external consultants to better oversee and properly monitor the exposure to ESG risks.

5 ESG Screening

Finlabo intends to perform a periodical Screening based on ESG criteria, supported by the adopted tools. The goal of such screening is to determine Investable Universe and Exclusion Lists.

The Screening methods selected are the following:

- **Relative Screening:** refers to the assessment of the asset universe based on positive ESG criteria. This screening method selects those that reflect high quality responsible business practices. The method will be used to determine the Investable Universe with the highest ESG quality, allowing the Investment Manager to adequately allocate investments into assets with optimal ESG characteristics.
- **Negative or Exclusionary Screening:** refers to the assessment of the asset universe on the basis of negative ESG criteria and factors identified as potential risks or ethical issues, this method will determine the Exclusion Lists, allowing the Investment Manager to adequately prevent ESG-related risks and breaches. Nevertheless the Sub-Funds can be invested in securities that are in the Exclusion Lists up to 5% of the NAV in every single Sub-Funds.

Below the detailed filters applied for determining the Investable Universe and Exclusion Lists:

Method	Factor Description	Operator
Best-in-class	A company's final MSCI ESG Rating. To arrive at a final letter rating, the weighted average of the key issue scores are aggregated and companies are ranked from best (AAA) to worst (CCC).	Rating > CCC
Exclusion	Companies with an industry tie to abortion or abortifacients, including Abortion Provider, Own/Operate Acute Care Facilities, Ownership of an Abortion Company, Ownership by an Abortion Company, Abortifacient Manufacturer, Ownership of an Abortifacient Company, and Ownership by an Abortifacient Company categories.	All
Exclusion	Companies that conduct stem cell research with cells derived from human embryos or from human fetal tissue.	All

Exclusion	The recent-year percent of revenue, or maximum estimated percent, a company has derived from adult entertainment.	Revenue > 5%
Exclusion	The recent-year percent of revenue, or maximum estimated percent, a company has derived from the manufacture of chemical or biological weapons and related systems or components.	All
Exclusion	The recent-year percentage of revenue, or maximum estimated percent, a company has derived from the production of nuclear weapons, including companies that manufacture specific components.	All
Exclusion	Companies involved in the production of depleted uranium (DU) weapons, ammunition, and armor, including companies that manufacture specific components.	All
Exclusion	Companies that manufacture cluster munitions whole weapons systems, components, or delivery platforms.	All
Exclusion	Companies that manufacture landmines whole systems or components.	All
Exclusion	Financial institutions involved in unfair financing practices.	All
Exclusion	Companies with serious controversies related to a firm's workforce diversity. Factors affecting this evaluation include, but are not limited to, a history of involvement in discrimination-related legal cases, widespread or egregious instances of discrimination on the basis of sex, race, or ethnicity, resistance to improved practices, and criticism by NGOs and/or other third-party observers.	All
Exclusion	Controversies (if any) related to a firm's impact on the communities in which it does business. Companies with serious controversies related to freedom of expression and censorship, and other human rights abuses and adverse impact on a community.	All
Exclusion	Controversies (if any) related to a firm's employee relations and supply chain. Companies with serious controversies related to labor-management relations, employee health & safety, collective bargaining & unions, discrimination and workforce diversity, and management of supply chain employee relations standards.	All
Exclusion	Controversies (if any) related to a firm's impact on the environment. Companies with serious controversies related to land use and biodiversity, toxic spills and releases, energy and climate change, water management, operational non-hazardous waste, and management of supply chain environmental impact.	All

Exclusion	Controversies (if any) related to a firm's governance practices. Companies with serious controversies related to bribery, fraud and governance structures.	All
Exclusion	Provides a country's status on legality of death penalty. We don't exclude the United States of America as the application is decided by each individual state and not at the federal level.	All
Exclusion	Countries that have a low level of democracy. Data source: Democracy Index, Economist Intelligence Unit (EIU).	All
Exclusion	Captures the level of civil liberties in a country, including freedom from slavery and forced labor, freedom from torture and death; the right to liberty and security, to a fair trial, to defend one's self, to privacy; freedom of conscience, of expression, of assembly and association; and the right to marry and have a family. Data source: Freedom house. Countries with higher score have limited civil liberties.	All
Exclusion	Capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests. Data source: Worldwide Governance Indicators (WGI). Countries with higher score demonstrate stronger performance on this parameter.	All
Exclusion	Countries where active euthanasia is legal.	All
Best-in-class	Companies that manufacture alcoholic products including brewers, distillers, and vintners. This factor also includes companies that own or operate wine vineyards. Companies that license their company name or brand name to alcoholic products.	Rating > BB
Best-in-class	Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves. Companies that license its company or brand name to tobacco products.	Rating > BB
Best-in-class	Companies that have an industry tie to gambling through the operation, support, licensing or ownership categories.	Revenue < 10% or rating >= BB
Exclusion	Companies that conduct animal experiments for non-pharmaceutical purposes.	All
Exclusion	Energy companies where the generation of thermal energy is based on the use of coal.	All

Exclusion	Percentage of revenue (either reported or estimated) that a company derives from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external.	Revenue > 10%
Inclusion	Companies that promote motherhood by directly supporting female workers and families, and indirectly through infrastructural interventions (housing, nursery schools).	All
Inclusion	Support companies that spread corporate policies on equal pay, careers opportunities for women and adaptation to legitimate family needs; support the active participation of women in the life of the company, in particular in terms of policy and decision-making process and inclusion in leadership.	All
Inclusion	Support those companies that develop or produce products with a sustainable life cycle.	All
Inclusion	Companies responsible for the working conditions in force in their environments and in third-party companies that are part of the same customer / supplier system, against discriminatory practices.	All
Inclusion	Companies that implement fair wage and welfare policies, in conjunction with specific guidelines on worker safety. Prefer companies with an agreement on guidelines for employee assembly rights, working hours or a minimum wage.	All
Inclusion	Support companies that transmit economic and financial results in a transparent way, taking into account the social benefits directly and indirectly obtained and the environmental impact of their activities.	All
Inclusion	Support companies that work to reduce the consumption of raw materials, water, energy and pollutant emissions.	All
Inclusion	Promote companies that provide medical assistance to workers or are active in the rare diseases research. Encourage companies that participate in programs to make life-sustaining drugs available to those living in low-income communities and countries.	All
Inclusion	Energy companies that produce energy through alternative sources. Companies that, operating in the fossil fuel segment, have an industrial plan for reorganization and transformation towards renewable energy sources or that are investing in research and development to reduce CO2 emissions.	All

6 ESG Considerations in the Investment Process

The above screenings and analysis will lead to an integration of ESG considerations into the actual investment process therefore contributing to reduce sustainability risks. Relating to the need of flexibility, the approach is adaptable and able to accommodate to a diverse analysis and to the ESG issues that the Sub Funds strive to confront. Therefore ESG considerations will vary by objectives, sectors and market trends; as such, the Investment Process may be adjusted alongside the course.

The integration of sustainability risks into the investment process of a Sub-Fund is described below. The Investment Manager has outsourced the ESG analysis and the construction of the exclusion lists to independent third party that are specialized in such sustainability themes. Therefore, the Risk and IT Department of the Investment Manager receive on a monthly basis from external provider all the updated analysis and exclusion lists on the issuer-level. After having assessed all the analysis and the exclusion lists, the IT Department with the supervision of the Risk Department apply the exclusion rules on the issuer-level through the front office management software that automatically takes into account the banned rules before process any buy/sell order for the Investment Department. Therefore, the front office management software will not process any order that as their object has securities contained in the exclusion lists and which involve exceeding the established limits.

The Investment Manager regularly performs an ex-post assessment of sustainability risks by attributing at the issuer-level an ESG rating, which signals the environmental, social and governance (“ESG”) risks. The Investment Manager receives the ESG analysis from internationally acknowledged research providers, through which issuer-level ESG ratings are attributed. The ESG analysis covers all issuers constituting the investible universe of the Sub-Fund. Drawing upon the externally provided ESG analysis and ratings, the Risk Department of the Investment Manager performs the analysis on the constituents of the Sub-Fund’s portfolio with the purpose of assess the overall weighted average ESG rating at the Sub-Fund level and therefore highlights the overall sustainability risks taken by the Sub-Fund.

In the event that excessive ESG risk is identified, Finlabo will proceed to reduce the risk in a timely manner, in any case within three months of the breach, thereby limiting the impact on the Sub-Funds.