IFPIM’s Sustainability Risks Policy

Ref	IFPIM-22
Name	**IFPIM’s Sustainability Risk Policy**
Version	2.1
Effective Date	20/02/2021
Amended Date	09/02/2023
Approved by	Executive Committee: SN/PAZ/JCE/MB Board of Directors: SN/PAZ/AC
Next Review Date	Q1 2024
Status	In Force
Accessibility	Paper and digital copy of this policy is accessible at the registered office of IFPIM and on the website of the management Company
Updating / Review	- Any new legal requirement touching this subject - Any other change that would have an impact on the procedure.
Communication to the CSSF	Upon request

1. Scope

This document gives an overview about the policy how the firm fully integrates sustainability risks into the investment decisions.

It also integrates the requirements fixed in the applicable laws and regulations related to the subject including:

- 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, as amended (referred to as the “Regulation on sustainability-related disclosures in the financial sector” or “SFDR”)
  - 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 (referred to as the “Regulation on the framework for environmentally sustainable investment”)
  - Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088

2. Definitions

- ESG means Environmental, Social and Governance.
- Sustainability factors means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
- Sustainable Investment means an investment in an economic activity that contributes to an environmental objective, a social objective and that the investee has good governance practices.
- Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment
- An environmentally sustainable economic activity means an activity which-contributes substantially to one or more of the environmental objectives
  -does not significantly harm any of the environmental objectives
  -is carried out in compliance with the minimum safeguards
  - complies with the technical screening criteria of the EU Commission
  Transitional economic activity means an economic activity for which there is no technologically and economically feasible low-carbon alternative but which contributes substantially to climate change mitigation where it supports the transition to climate-neutral economy consistent with the pathway to limit the temperature increase to 1,5 degree above pre-industrial levels subject to certain conditions.

The following definitions relating to environmental sustainability and objectives apply throughout this policy:- "**Biodiversity**" means the variability among living organisms arising from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part and includes diversity within species, between species and of ecosystems.- "**Circular economy**" means an economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimising waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.
- "**Climate change adaptation**" means the process of adjustment to actual and expected climate change and its impacts
- "**Climate change mitigation**" means the process of holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels, as laid down in the Paris Agreement
- "**Ecosystem**" means a dynamic complex of plant, animal, and micro-organism communities and their non-living environment interacting as a functional unit
- "Enabling activity" is an activity which enables other to make a substantial contribution to one or more of those objectives, provided that such economic activity:

  - Does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets
  - Has a substantial positive environmental impact, based on life-cycle considerations

3**. Identification of Sustainability Risks**
Sustainability risks can be subdivided into 3 categories:

- Environmental: environmental events may create physical risks and transition risks for companies. Physical risks are for instance the tangible effects that climate change have on a company (direct damages on assets from e.g., floods, wildfires, or storms and indirect impact on the company supply chain) whereas transition risks are business related risks that follow societal and economic shifts towards a low-carbon and more climate-friendly future. These risks can include policy and regulatory risks, technological risks, market risks, reputational risks, and legal risks.

- Social: refers to risk factors related to the human capital supply chain and how businesses manage the impact of these factors on society. A broad range of factors (e.g., gender equality, compensation policies, health & safety, working conditions) that can impact a company's operational effectiveness and resilience, as well as its public perception, and social license to operate

- Governance: these aspects are linked to the governance structure and could include, but are not limited to, risks around board-independence, ownership & control, audit, compliance & tax practices. A business that overlooks these risks could potentially incur large financial penalties and also lose investors, customers and stakeholder
support.

In reference to Article 3 of the SFDR, sustainability risk management is an integral part of IFPIM's investment strategies and processes for all of our investment products.
This does not mean that we will systematically disregard an instrument with high sustainability risks, but those instruments will undergo additional scrutiny.

4. SRI classifications and IFP:

In the market there is a whole range of ESG investment strategies. The following overview should help to guide our investors through the terminology and to explain our offering.

Investment strategy	Definition	IFPIM offering
ESG integration	Explicit inclusion of ESG criteria into investment process, supported by appropriate research sources	Proprietary ESG assessment fully integrated in the investment process, crosschecked with external ESG consensus rating
Sustainable themes	Focus on themes	Identify companies that contribute and benefit from global megatrends
Best in class/positive screening	Selection of leading investments within a universe	Focus on investments with leading positions or competitive edge
Exclusions	Explicit exclusions from investable universe	Exclusion of investments based on the IFP exclusion policy, associated with certain sectors and products, norm-based exclusions and ESG controversies, also adaptable to client's specific needs
Active Ownership	Engagement activities and voting of shares	Exercising of our voting rights (directly or through BCEE). We directly engage with the management of the companies we invest in

Impact investment	Focus on sustainability objectives impact	We are analysing our sustainability objectives through an internal assessment and measuring our investment impact towards the Sustainable Development Goals (SDG) as well as climate change and EU's Sustainable Finance Disclosure Regulation (SFDR, article 9 objectives)
Norm-based screening	Screening of investments according to their compliance with international standards and norms	Conducted periodically as part of the IFP exclusion policy, adaptable to specific client needs

- The UN Sustainable Development Goals (SDGs) were endorsed in September 2015 and target not only the international community and public sector but are also directed at the private sector. The support of corporations and capital markets is essential, if the 17 SDGs and 169 targets for sustainable development are to be achieved by 2030.

- **"Environmental Objectives"** means:
  - -Climate change mitigation
  - -Climate change adaptation
  - -The sustainable use and protection of water and marine resources
  - -The transition to a circular economy
  - -Pollution prevention and control
  - -The protection and restoration of biodiversity and ecosystems

<u>Application of this Policy:</u>

This sustainability risk policy is applied to all our sustainably managed funds (see list below) and sustainable portfolios The PMs thoroughly analyse and check each potential investment with financial criteria and extra financial criteria before investing.

The portfolios are constantly monitored by the PMs. Periodic reports and reviews of the sustainable funds are carried out internally and also by our external verifier on sustainability, to ensure ongoing full compliance with our policy.

5. IFPIM's Philosophy:

- Sustainability is our core value. We are fully dedicated to responsible investments.
- We are strong believers that sustainable financial returns are strongly correlated with the proactive management of environmental, social and governance risk.
- We continually improve our proprietary investment tools and ESG/SDG assessment since launch in 2006, and we have acquired a strong and consistent track record and reputation.
- We apply the same rigid sustainability assessment across all asset classes.

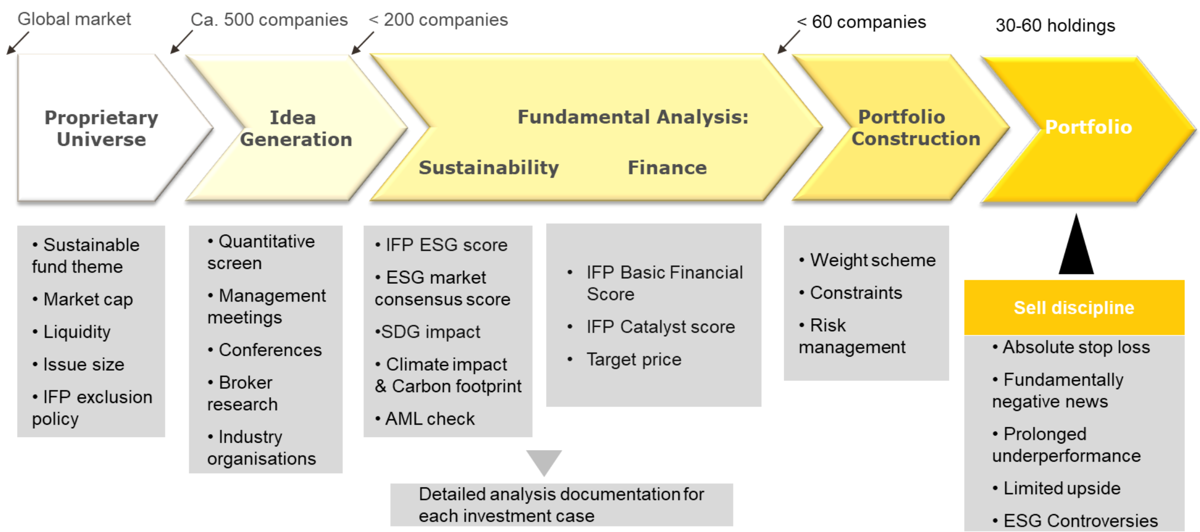
6. IFPIM's sustainable objective: Sustainable Investing for Superior Returns. We have fund-specific sustainability objectives in place for each of our IFPIM sustainable funds regulated by (EU) 2019/2088 Article 9.

7. IFPIM's Sustainable Investment process with ESG integration:

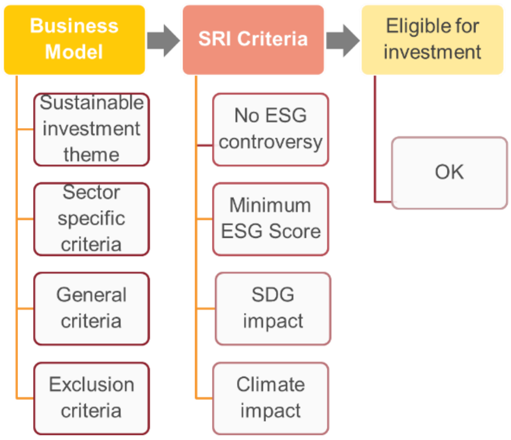
Our ESG company assessment is fully integrated in our disciplined investment process. By combining rigorous financial analysis with equally rigorous ESG/SDG analysis, we identify companies that are:

- Leaders in their industries
- Better-managed, more forward-thinking
- Better at anticipating and mitigating risk
- Embracing high standards of corporate responsibility
- Focused on the long term

By investing in these types of companies, we focus on reducing risk and delivering competitive long-term investment performance to our clients.

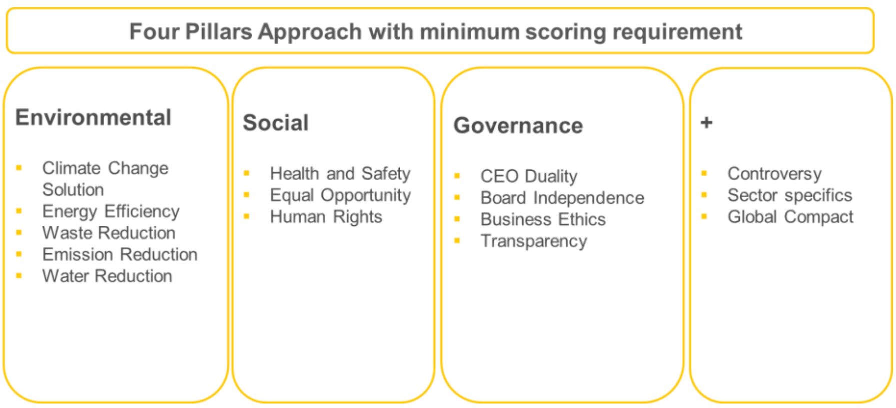


8. IFPIM Sustainability Assessment:



<u>9. Proprietary ESG score:</u>

Our proprietary ESG assessment comprises of 12 sustainability factors (5 environmental, 3 social and 4 governance, see chart below) we see as financially material. For each sustainability factor we assess qualitatively if there is a company strategy or policy in place to meaningfully address it. If yes, we allocate a point. We summarize the points across the 12 sustainability factors for each company invested to arrive at the total company ESG score. We document the company ESG score in the written investment analysis factsheet for each investment candidate. Each potential investment candidate must pass a minimum threshold score of greater than 6 (out of 12), which helps us to identify the strength and weaknesses of a firm as well as any controversies. For our analysis we use company data, Bloomberg data as well as publicly available data from other sources. We also calculate and report the fund ESG score based on the weighted sum of the company ESG scores. It serves both our holistic sustainable investment approach and as a risk management and performance enhancement tool for us.



We also respect the **ADVERSE SUSTAINABILTY IMPACT on sustainability,** including the ESG exclusion list (please refer to the IFP Adverse Impact and Exclusion Policy).

<u>10. SDG impact of our IFPIM funds:</u>

We at IFP measure and report the impact of our fund holdings towards the UN Sustainable Development Goals (SDGs) As the UN SDGs primarily target states and the public sector, not all of the goals are relevant for companies. For each individual company, a qualitative analysis is conducted internally to determine whether its product or services make a direct or indirect net contribution towards attaining the objective. We expect that the signatory states will pass regulations and guidelines imposing further obligations on the private sector, so business models oriented towards the sustainability objectives will not only bring opportunities for investors, but also mitigate risks.

We score a company according to its impact on the SDGs, resulting in a SDG company impact score (the higher the better) as well as a portfolio impact score. The company impact helps us clearly analyse and understand where a company has a positive impact, within which SDGs is the positive impact being achieved, and what exactly are the companies doing to achieve the positive impact. Measurement is based on the company's sustainability report or other publicly available data. Details can be found in our IFP SDG Impact Manual.

Our sustainable funds need to make a positive impact on at least one of their focus SDGs:

IFP Global Environment Fund: SDG13 (Climate Action), SGD11 (Sustainable Cities and Communities), SDG7 (Affordable and Clean Energy) and SDG6 (Clean Water & Sanitation)

IFP Global Age Fund: SDG3 (Good Health & Wellbeing), SDG 12 (Responsible Consumption and Production)

IFP Global Emerging Markets Bond Fund: SDG12 (Responsible Consumption and Production), SDG13 (Climate Action) and SDG1 (No Poverty)

<u>11. Climate impact:</u>

We assess the impact of the fund and its holdings on the climate in various ways to get a complete picture of the impact of our investments. This enables us to understand the impact of our Fund on global warming and to avoid holdings that would endanger reaching the EU climate targets. Details can be found in our IFPIM Paris Alignment Manual.

- Carbon profile:

To calculate and report the funds’ carbon emission profile we use company data, Bloomberg data & estimates , data provided by our independent sustainability verifier Conser as well as ISS data. Emission calculations include Scope 1 (direct emissions) and scope 2 emissions (indirect emissions from the generation of purchased electricity, steam, heat or cooling), and if available also Scope 3 (all other indirect emissions from activities of the company, occurring from sources that it doesn’t own or controlled). We expect the indicators to decrease over time.

- Absolute emission exposure: total greenhouse gas (GHG) emitted (if available, else total CO_2). Calculated as millions of metric tonnes based on historical data
- Carbon intensity: Calculated and reported as metric tonnes of greenhouse gases (if available, else CO_2) emitted per millions of sales in the company’s reporting currency.
- Carbon footprint: Calculated and reported as metric tonnes of greenhouse gases (if available, else CO_2) emitted per millions of assets in the company’s reporting currency.
- We also report the weighted carbon intensity of the fund compared to the market, by using appropriate indices like Bloomberg Developed Market or MSCI World and ISS data.

- Implied global warming and net zero alignment:

To measure the alignment with Paris goals we also assess for each of the fund holdings the existence of concrete net zero goals and/or carbon reduction strategies aligned with associations like the Science Based Targets initiative (SBTi). We strive to maximize the percentage of fund holdings limiting a global warming to well below 2 degrees Celsius. We also consider ISS climate data to assess the implied temperature increase for each fund holding and each fund.

- Integrated proprietary ESG screen:

We analyse the impact on climate directly in our proprietary ESG screen through the environmental sustainability factor "climate change policy". If a company has a strategy or policy in place that positively impacts climate change, we allocate a point which contributes to the overall ESG company score. In case a company negatively impacts the climate, it needs to have a credible transition plan in place or otherwise we look for alternative investments that are better aligned with preventing global warming.

- SDG impact:

We qualitatively assess and report on any positive or negative impact on climate through the impact on SDG 7 (affordable and clean energy) and SDG 13 (climate action), as outlined in detail in the IFP SDG impact investing manual.
Positive Impact on SDG7: if a company produces renewable energy equipment (solar, wind turbines) or if a company is a utility provider with a significant focus on renewable energy or if a company has products or provides infrastructures supporting the distribution of energy and shows efforts for increasing the amount of clean energy, provides crucial support for the development of clean and affordable energy (e.g. financing institutions, which are issuing green bonds).
Positive impact on SDG 13: when measures are taken by companies to reduce environmental impact and prevent climate change. This especially includes efforts and measures to reduce GHG emissions and the overall environmental impact of a company, such as the switch to renewable energy, more efficient logistics fleets and distribution technologies. We also use quantitative measures, such as the annual reduction in GHG emissions or the targets that a company has set within the next years.

- Climate relevant sectors and Environmental Objectives according to SFDR:

We assess and report the climate impact through fund exposure (in % of assets) to climate-relevant sectors like clean tech, water, and fossil fuels or asset class like green bonds etc.
We fully comply with the transparency disclosure foreseen in the SFDR(EU) 2019/2088 Regulation) supplemented by Delegated Regulation (EU) 2022/1288 of 6 april 2022, for our sustainable products that are listed in this Policy.

12. Data sources

As data sources we use proprietary research along with publicly available data, Bloomberg data & estimates, and analysis from our ESG verifier "Conser", external databases, interactions with company management.

13 .Our sustainable IFPIM investment range in the Funds we manage:

- IFP Global Age Fund – global SRI equity

ISIN LU0854762894 (EUR class)

ISIN LU1864998163 (EUR I class)

ISIN LU0854763199 (CHF class)

ISIN LU0854763439 (USD class)

- IFP Global Environment Fund – global balanced SRI (equity & corporate bonds)

ISIN LU0426578240 (EUR class)

ISIN LU0594108226 (CHF class)

ISIN LU0594107848 (USD class)

ISIN LU1864998593 (EUR I class)

- IFP Emerging Markets Bonds Fund – mainly SRI-compliant corporate bonds in emerging markets

ISIN LU0594108812 (USD class)

ISIN LU0594109117 (CHF class)

ISIN LU0594109117 (EUR class)

<u>Our sustainable IFPIM investment range can also apply to portfolios based on sustainable models:</u>

- IFP Sustainable Asset Allocation Mandate – SRI investments across all asset classes