IFPIM's Principal Adverse Sustainability Impact and Exclusion Policy

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Name	**IFPIM's Principal Adverse Sustainability Impact and Exclusion Policy**
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Approved by	Executive Committee: SN/PAZ/JJD/MB Board of Directors: SN/PAZ/JJD/MB
Next Review Date	End 2021
Status	In Force
Accessibility	Paper and digital copy of this policy is accessible to all employees at the registered office of IFPIM.
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

This Policy integrates when applicable 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 19/88the "Regulation on sustainability-related disclosures in the financial sector") (directly applicable in Luxembourg)
- 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") (directly applicable in Luxembourg).

<u>Scope</u>

This document gives an overview about the policy how the firm fully integrates adverse sustainability impact into the investment decisions and also the exclusion policy.

Hereby we explain how we at IFPIM consider principal adverse impact on sustainability factors. Those are negative, material, or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to IFPIM's investment decisions.

This adverse sustainability policy is applied to all our sustainably managed funds, completely (IFPGEF and IFPGA) or principally (IFPGEM) and portfolios. The PMs thoroughly check each potential investment for adverse impact on sustainability factors before investing. The portfolios are constantly monitored by the PMs and checked by our external sustainable advisor, Conser. Periodic reports and reviews of the portfolios are carried out internally and by our external advisor, to ensure ongoing full compliance with our policy.

<u>Adverse sustainability impact assessment</u>

- An economic activity is considered to "**significantly harm**" environmental objectives as, in relation to:
  - Climate change mitigation, where that activity leads to significant greenhouse gas emissions
  - Climate change adaptation, where that activity leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets
  - The sustainable use and protection of water and marine resources, where that activity is detrimental:
    - To the good status or the good ecological potential of bodies of water, including surface water and groundwater, or
    - To the good environmental status of marine waters
  - The circular economy, including waste prevention and recycling, where:
    - That activity leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources such as non-renewable energy sources, raw materials, water and land at one or more stages of the life cycle of products, including in terms of durability, reparability, upgradability, reusability or recyclability of products
    - That activity leads to a significant increase in the generation, incineration or disposal of waste, with the exception of the incineration of non-recyclable hazardous waste, or
    - The long-term disposal of waste may cause significant and long-term harm to the environment
  - Pollution prevention and control, where that activity leads to a significant increase in the emissions of pollutants into air, water or land, as compared with the situation before the activity started, or
  - The protection and restoration of biodiversity and ecosystems, where that activity is:
    - Significantly detrimental to the good condition and resilience of ecosystems, or
    - Detrimental to the conservation status of habitats and species, including those of European Union interest

- 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 technical screening criteria to be established by the Commission

- **“Transitional activity”** means an activity which contributes substantially to climate change mitigation where it supports the transition to a climate-neutral economy consistent with a pathway to limit the temperature increase to 1.5˚C above pre-industrial levels subject to certain conditions.

For our investments we strive to have a positive and not adverse impact on sustainability factors, notably on the climate and environment, social and employee, respect for human rights, anti-corruption, and anti-bribery. If we decide to hold an investment despite an adverse impact on sustainability factors, we document this in our written investment case with the rationale why we think the issue is temporary or will be properly addressed by the management

We assess the adverse impact on sustainability factors in several ways:

1. **IFP exclusion policy:**

This exclusion policy refers to all securities issues by a company.

- Sector-based exclusion:

We have identified the following sectors and activities that have an adverse impact on sustainability factors and exclude them from investing.

Controversial Weapons	excluded
Nuclear	Max. 5% of company revenue
Tobacco	excluded
Fossil Fuels: Coal Other Fossil Fuels	Excluded Excluded when there is no clear transition strategy towards low carbon
Severe environmental damage	excluded

- Norm-based exclusions:

We at IFP Investment SA exclude, in our sustainable portfolios and Funds, companies that are violating international conventions on social or environmental issues and thereby adversely impact sustainability.

Violations of UN Global Compact Principles	Key Areas
	Human rights
	Labour rights
	Environment
	Anti-corruption
Subject to UN sanctions	
Excluded by relevant pension funds	e.g. Norwegian pension fund

2. **IFP ESG score threshold:**
As integral part of our proprietary sustainability assessment (also see IFPIM’s Sustainability Risk Policy) each of our prospective holdings undergoes a proprietary ESG (Environmental, Social & Governance) analysis and has to pass a minimum score in order to be eligible for investment. Companies that do not pass our internal ESG hurdle are excluded for our sustainable products.

3. **Minimum ESG market rating:**

Companies need to have a consensus ESG market rating better than D (worst score provided by our external advisor), otherwise they are excluded from investment universe for our sustainable portfolios and funds to avoid a negative impact on the overall sustainability.

4. **AML checks:**
   We conduct AML (Anti-money-laundering)-checks before each investment to identify potential adverse impacts on sustainability factors. In case we decide to invest despite an AML issue we provide written documentation why we think the issue is not materially affecting sustainability factors.

5. **SDG impact:**
   We measure the UN Sustainable Development Goal (SDG) impact of our holdings. We analyse both the positive as well as negative impact of each single fund holding on each of the 17 SDGs, as well the overall fund impact on each SDG (see IFPIM's Sustainability Risk Policy) for details.

6. **Controversies:**
   We monitor closely any controversy arising on our funds and single positions. Dependant on the severity of the controversy we engage, reduce, or completely exit the investment (see IFPIM's voting & engagement policy).

7. **EU Green Taxonomy and Sustainable Finance indicators:**
   We assess and will report on the catalogue of pre-defined 32 mandatory indicators (16 E, 16 S) and 18 voluntary indicators (11 E, 7 S) for our investments as data are available.

<u>Data sources</u>

As data sources we use proprietary internal research and publicly available data, Bloomberg data, analysis from our ESG advisor Conser, external databases, interactions with company management.