IFPIM's Sustainability Risks Policy

Ref	IFPIM-22
Name	**IFPIM's Sustainability Risk Policy**
Version	2.0
Effective Date	20/02/2021
Amended Date	20/02/2021
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 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

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 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).

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 activity means an activity 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

- **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 portfolios that are sustainable . 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 portfolios are carried out internally and also by our external advisor on sustainability, to ensure ongoing full compliance with our policy.

<u>IFPIM's Philosophy:</u>

- 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 asset classes.

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

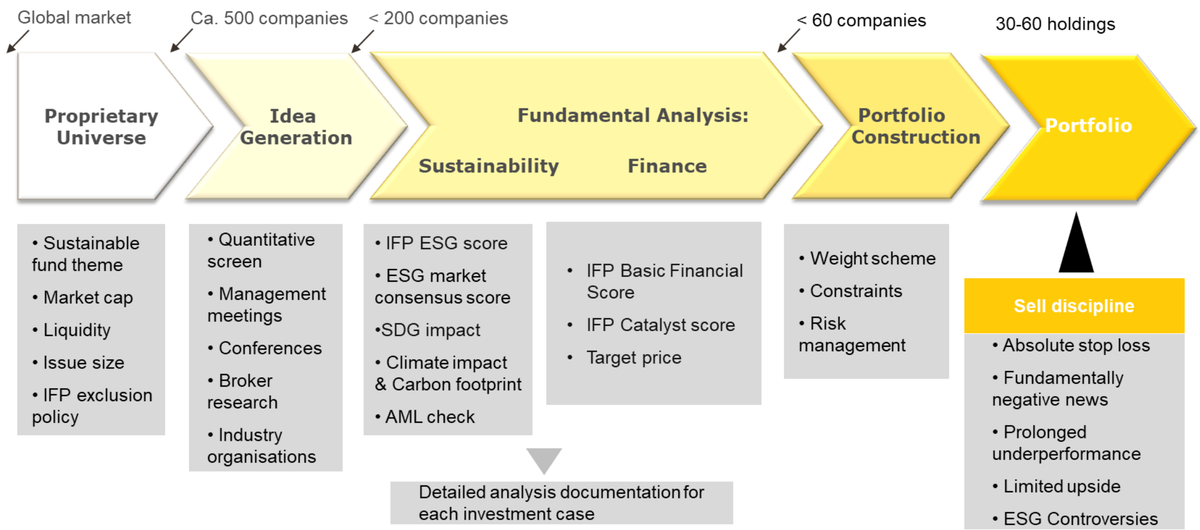
<u>IFPIM's Sustainable Investment process with ESG integration:</u>

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:

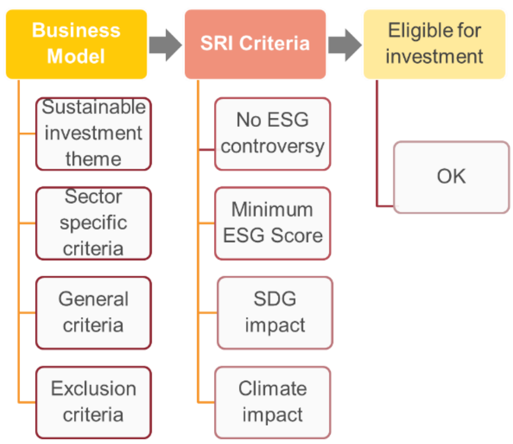
- Leaders in their industries

- 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.

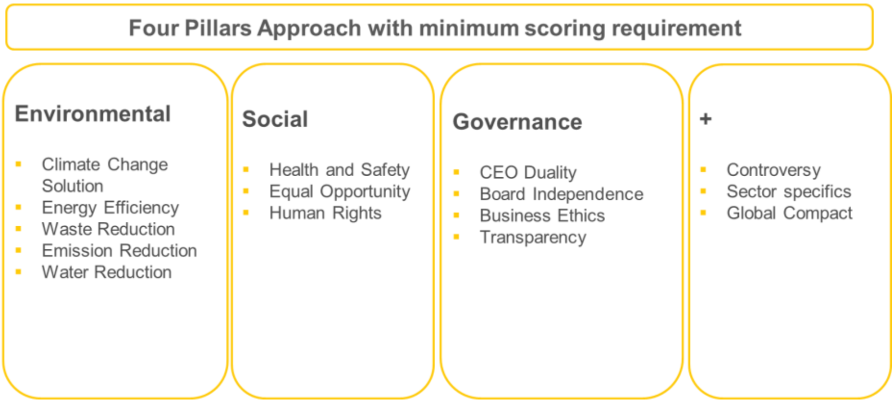


IFPIM Sustainability Assessment:



Proprietary ESG score:

Our proprietary ESG assessment comprises of 12 sustainability factors (5 environmental, 3 social and 4 governance) we see as financially material. 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. 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>SDG impact of our IFPIM funds:</u>

We at IFP measure and report the impact of our fund holdings towards the UN 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.

<u>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.

- Greenhouse gas (GHG) emissions:
  We analyse GHG emission through absolute emission exposure (Scope 1&2 and 3), carbon footprint (carbon intensity by amount invested and weighted carbon intensity vs. market).

- Integrated proprietary ESG screen:

  We analyse the impact on climate directly in our proprietary ESG screen through the environmental sustainability factor “climate change policy”.

- SDG impact:
  We assess any positive or negative impact on climate through the impact on SDG 7 (affordable and clean energy) and SDG 13 (climate action).

- Climate relevant sectors and Environmental Objectives according to SFDR:
  We assess the climate impact through exposure 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 new SFDR(EU) 2019/2088 Regulation) for our sustainable products that are listed in this Policy.

Data sources

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

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 LU1090869832 (CHF I class)

ISIN LU0594109117 (CHF class)

ISIN LU0594109117 (EUR class)

Our sustainable IFPIM investment range can also apply to portfolios based on sustainable models:

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