FUNDS FOR GOOD
INVEST, IMPACT

March 2021

Principal Adverse Impact Statement

The objective of the Sustainable Finance Disclosure Regulation (SFDR) is to provide more transparency on sustainability within the financial markets and investment products. This document discloses how non sustainable practices are taken into account in the investment process of our different funds.

Since the very beginning of its story, Funds For Good knows that its responsibility goes beyond providing investors with financial returns only. Conscious of the societal role that a company has to play, Funds For Good has opted for an innovative business model, where 50% of its net profits, with a minimum of 10% of its income, are donated to its social branch, Funds For Good Impact. Funds For Good impact strongly contributes to United Nations Development Goals #1 No Poverty, #8 Decent Work & Economic Growth, #10 Reduced Inequalities and #17 Partnerships for the goals. Indeed, Funds For Good Impact provides loans of honor (0% interest rate, guarantee-free loans) as well as coaching, to jobless entrepreneurs or social entrepreneurs lacking resources to get a micro-loan. Funds For Good Impact fights against poverty and promotes social entrepreneurship by empowering entrepreneurs to achieve their dreams.

Since 2011, investors in Funds For Good investment solutions have generated a considerable and tangible social impact, through this innovative business model.

One of the main characteristics of Impact Investing resides in the tangibility of the generated impact. Funds For Good is a proud pioneer in this area, as its model has permitted to generate tangible impact way before the recent trend towards impact investing had started.

Since a few years, Funds For Good has also decided to apply socially responsible criteria into the decision making process of its investment funds. This decision was the start of an ongoing process, which will permit us the firm, on one hand, to minimize the potentially negative impact of its funds on people and the planet, and on the other hand, to maximize the possibility to generate additional positive impact.

Funds For Good considers the adverse impact of its investments on sustainability for its investment funds. This statement explains our policy with respect to the adverse impacts that may be caused by our investment decisions.

DO NO HARM & EXCLUSION POLICY

With growing concerns of investors in regards to the misconduct of some business, and led by the conviction that careful and responsible companies decrease the risk for investors, a certain number of companies and sectors have been excluded from all compartments of the FFG Sicav. The exclusion of those companies or sectors relate to Environmental, Social or Governance (ESG) criteria. Below is a description of how this is applied in the FFG Sicav.

UNITED NATIONS GLOBAL COMPACT

The UN Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support the United Nations Development Goals. The 10 principles of the UN Global Compact relate to Human Rights, Labour, Environment and anti-corruption.
As such, any company that violates those principles is excluded from our investment universe.

WEAPONS

No investments will be made in companies that produce weapons that violate fundamental humanitarian principles through their normal use. As such, any company that is involved in controversial weapon systems is excluded from our investment universe. Those include, among others: cluster munitions, anti-personal mines, landmines, depleted uranium, biological/chemical weapons, nuclear weapons,...
Any company that derives more than 5% of its revenues from conventional weapons is also excluded.

TOBACCO
There is sufficient proof of the negative effects of tobacco on its users and their environment and we favor tobacco-free portfolios. Any company that derives more than 10% of revenues from the production of tobacco, products that contain tobacco, distribution, retail sales or wholesales of tobacco is excluded.

COAL AND UNCONVENTIONAL OIL & GAS
Pursuant to our willingness to reach the Paris objectives, use of coal and unconventional oil & gas should be drastically reduced. At this stage, our funds will not invest in companies that derive more than 10% of their revenues from thermal coal extraction or unconventional oil & gas extraction. Our intention is to lower this limit before 2025.

CONVENTIONAL OIL & GAS EXTRACTION
Pursuant to coal and unconventional oil & gas extraction, Funds For Good encourages any initiative that facilitates a cleaner extraction of resources, such as extraction companies deriving a significant portion of their revenues from gas or other type of renewable energy sources. At this stage, our funds will not invest in oil & gas extraction companies that derive less than 40% of their revenues from gas and renewable energy sources.

ELECTRICITY GENERATION
Pursuant to energy extraction, Funds For Good analyses the value chain and selects electricity utility companies that act in order to be in line with the Paris agreement.
No investments will be made in electricity utility companies that are not aligned with a below 2 degrees heating up scenario.

In addition, electricity companies of which more than 30% of the energy production is based on oil & gas or nuclear sources are screened out, as well as those that depend for more than 10% on coal for their energy production.

CONTRACTS ON AGRICULTURAL COMMODITIES
It is our conviction that agricultural contracts on commodities should be used by their primary users, such as farmers willing to protect their revenues and buyers willing to secure their purchasing prices, and not for financial speculation. No FFG funds will invest in any soft commodity futures and contracts.

COUNTRIES
Funds For Good funds will not hold government debt or state owned companies issued by countries violating the UN Global Compact, or subject to international sanctions, or in countries that are under embargo by the European Union. This list can be found on www.sanctionsmap.eu, targeting countries under restrictive measures. Although this is not an exclusion criteria per se, countries applying death penalty are closely monitored. Most of such regimes are being found in the list of international sanctions, and are therefore excluded.
Besides this, Funds For Good funds will not hold government debt or state owned companies issued by countries having a corruption score <20 on the Transparency International list (https://www.transparency.org).

ADDITIONAL EXCLUSION LIST
As an additional insurance to exclude the above mentioned companies and sectors, and in order to comply with additional standards, FFG Sicav is following industry-recognized exclusion lists such as

- Norges Bank Exclusion List (https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/)
- PPGM Exclusion List (https://www.pggm.nl/english/what-we-do/exclusions/Pages/Exclusion-list-companies.aspx)
- ASN Bank Nuclear weapons producers (https://www.dontbankonthebomb.com/2019-producers-executive-summary/
- Global Coal Exit List: https://coalexit.org/database?name=&production=All&power_capacity=1&powerprod=All&revenue=All&page=1

ESG POLICY

Our ESG strategy is applied on the following topics:

- **Environment**: we lower the carbon footprint of our portfolios
    - Carbon emissions, scope 1 + scope 2
    - Total carbon intensity
- **Social**: we enhance the social quality of our portfolios
    - Types and location of operations
    - Business restructuring events
    - Social inequality
    - Management
    - Labor related policies (anti-discrimination, child labor, forced labor, freedom of association)
    - Compensation schemes, employee turnover
- **Governance**: we implement a voting right policy

Environment: Pursuant to the Paris Agreements, and conscious of the need to lower carbon emissions to fight against global warming, we lower the carbon footprint of every compartment of our sicav by a minimum of 20% versus their respective equity or corporate bond benchmark. This difference is at this stage only applied on stocks and corporate bonds holdings. Every month, the total carbon footprint of our portfolios (on the stock and corporate bond portions) is compared to the carbon footprint of their corresponding benchmark. Should the allocation not satisfy the criteria, the investment manager will adjust the portfolio positions in order to comply with the constraint. The calculation method is the following:

$$(\Sigma \frac{investments}{Issuer's\ full\ mcap} * issuer's\ emissions - Portfolio\ mkt\ value\ ) * 1.000.000$$

Carbon footprint data must be available for at least 90% of the portfolio weight.
For transparency reasons, the carbon footprint is disclosed on the monthly factsheets of each compartment.

Social: given our involvement in Funds For Good Impact, and implementing ourselves the best practices for the wellbeing of people working at Funds For Good, it is our desire to encourage investments in companies caring for the well-being of their own employees. Our objective is to enhance the social quality of the companies in which the portfolio invests by either enhancing the portfolio score vs benchmark by a minimum of 10%, or by eliminating the bottom 5% of companies versus their respective benchmark from our investment universe. This applies on stocks and corporate bonds only.

To calculate the social score, we are using the Labor Management Score of the companies in our universe, which is a score covering several aspects such as gender equality, use of child labour, casualties at work, employees representation, workforce reduction, collective agreements, employee turnover,…
The score is adapted to industries, sectors and countries.

Every month, the Labor Management Score of our portfolio (on the stock and corporate bond portions) is compared to the Labor Management Score of their corresponding benchmark. Should the allocation not satisfy the criteria, the investment manager will adjust the portfolio positions in order to comply with the constraint. The calculation method is the following:

- Either $\Sigma\ stocks\ (or\ corporate\ bonds) LMS * stock\ weight\ is\ 10\% > corresponding\ benchmark's\ LMS$
- Or Bottom 5% companies presenting the lowest LMS are excluded from the investment universe

Labor Management Score data must be available for at least 90% of the equity portfolio weight.
For transparency reasons, the Labor Management Score is disclosed on the monthly factsheets of each compartment.

Governance: a voting rights policy is being implemented in every compartment, allowing us to adopt a responsible voting policy.

BEST IN CLASS POLICY

The objective of this screening is to ensure that any stock (or corporate bond) having an active weight (*an active weight is when the weight of a stocks (or bond) in the portfolio > weight of stock (or bond) in its corresponding benchmark*), has a minimum ESG score of BBB for developed markets, or minimum BB ESG score for Emerging markets.
Any company that would not meet those criteria would be automatically excluded.

For stocks not covered by the ESG providers, the initial exclusion filter, as for all securities in our portfolio, is applied.

Engagement

In case of investments in oil & gas companies, the investment managers engage to dialogue with those companies in order to encourage them towards providing all necessary efforts to reach international environment treaties.