FUNDS FOR GOOD
INVEST, IMPACT

April 1st 2022

FFG SICAV RESPONSIBLE INVESTMENT POLICY

Table of contents

1. Introduction

Funds For Good was launched in 2011 with the objective to offer innovative investment solutions, where investors have the certainty of generating a tangible and positive local social impact through investing in an array of UCITS funds.

Led by their personal convictions, and by the fact that successful companies need to place all stakeholders at the center of their business model, the founders of the FFG Sicav have put in place a business model where they donate a significant share of their revenues to help local communities in need. Following this decision, Funds For Good (as Board Member and Coordination Distributor of the Sicav) pledges to donate 50% of its own profits, with a minimum of 10% of its own revenues, to Funds For Good Impact, a non-profit entity which serves the social goal. Local impact is generated by providing financial help and support to communities living in the direct neighborhood of where its investors live. Financial help is provided in the form of “honor loans”, which are interest-free subordinated loans that complement microcredits from one of Funds For Good microfinance partners. The loan is repaid to Funds For Good Impact and is used to support new entrepreneurs. As of September 2021, Funds For Good had contributed to the creation of more than 900 jobs.

Moreover, the Founders and Employees of Funds For Good are convinced that the values and philosophy of their company, as well as the social engagement through Funds For Good Impact, should also be reflected in the investment solutions that are offered to their investors. This document describes how Funds For Good implements environmental, social and governance (ESG) considerations in the investment management process of the compartments of its Sicav.

2. The standards Funds For Good adheres to

Beyond the unique social impact generated by Funds For Good Impact, to which all clients of Funds For Goods contribute, the compartments of our FFG Sicav offer unique ESG and Social Impact versions of some well-known investment strategies, thanks to the close relationships we have developed with external investment managers.

Next to the principles applied in its investment solutions (principles which are detailed in the upcoming sections of this document), Funds For Good adheres to several internationally recognized standards.

First, Funds For Good signed the **UNPRI** (United Nations Principles For Responsible Investments) in 2016. Becoming a signatory of the UNPRI, Funds For Good engaged in incorporating ESG criteria in the investment analysis of the different compartments of the FFG Sicav. Our Responsible Investment Transparency Report showing our compliance with the UNPRI is available on the Funds For Good website: https://www.fundsforgood.eu/les-fonds-funds-for-good/

Furthermore, Funds For Good fully supports the Ten Principles of the **UN 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. It promotes the participation of businesses in enhancing sustainability and corporate citizenship by aligning their operations and business strategies with ten principles in the areas of human rights, labor, the environment, and anti-corruption. The ten principles are the following:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

Labor

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor
5. The effective abolition of child labor; and
6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Finally, through Funds For Good Impact, investors of the FFG Sicav actively contribute to 5 of the 17 **UN Sustainable Development Goals**:

- Objective 1 - No Poverty: the activity of the Foundation is to reduce poverty by stimulating employment
- Objective 8 - Decent work and economic growth: through our mentoring programs, we support entrepreneurs and make sure they can run their business in an efficient way and can make a living out of it
- Objective 5 – Gender Equality: our objective is to finance an equal share of men and women
- Objective 10 – Reduced Inequalities: our project aims to decrease inequalities between poor/rich, men/women, access to finance.
- Objective 17 – Partnerships for the goals: the relationship with our stakeholders is determinant for the success of our social objective

3. ESG Integration in the FFG Sicav

As detailed in paragraphs 3.1, Funds For Good applies an *ESG Due Diligence and Monitoring* process across its SICAV. All compartments under the FFG SICAV will also comply with the ESG criteria set out in the *Do No Harm and Exclusion Policy* (paragraph 3.2). Funds For Good further classifies its investments solutions into two categories: *Regional and Mixed Funds* and *Thematic Funds.* Additional ESG criteria specific to each product category will be applied. These additional criteria are described in paragraphs 3.3 and 3.4.

3.1. ESG Due Diligence and Monitoring

The compartments of the FFG Sicav propose a unique feature: each compartment is managed by an external investment manager, who replicates one of his flagship strategies while applying the FFG Responsible Investment policy. All external investment managers engage in always following the FFG Responsible Investment policy and to integrate its ESG factors in their portfolio construction and stock selection process, for the management of their mandate. Financial criteria such as growth, financial strength and valuation will of course play a key role but will be complemented by extra-financial and ESG criteria which are an integral part of the investment strategy of the funds. Which extra-financial and ESG criteria will apply to which compartment is described in subsequent sections of this document.

As Funds For Good delegates the portfolio management activities to external investment managers, compliance with the FFG Responsible Investment Policy is checked by several parties in the investment process. The investment manager, the depositary, the management company and, of course, Funds For Good will all have procedures in place to monitor the compliance with the Policy.

3.2. Policy applied across the SICAV – the “Do No harm & Exclusion Policy”

In response to growing investor concerns about corporate misconduct and led by the conviction that careful and responsible companies reduce the risk for investors, several companies and sectors have been excluded from all compartments of the FFG Sicav. These companies have been excluded either because of their negative corporate behavior in terms of environmental, social or governance aspects (“conduct-based” or “normative” screening) or because the economic activities from which these companies derive their revenues are harmful activities that could lead to adverse impacts on sustainability factors (“product-based” or “negative” screening).

Below is a description of how these normative and negative screenings are applied across the FFG Sicav.

3.2.1 <u>Normative Screening</u>

Funds For Good requires all companies held in the FFG Sicav to adhere to the UN Global Compact and other standards or frameworks of corporate sustainability, such as the United

Nations Guiding Principles for Business and Human Rights, the International Labor Organization's standards and the OECD Guidelines for Multinational Enterprises, among others[1]. Therefore, any company that violates such principles, framework and standards or is proved responsible of undesirable behaviors related to Human Rights, Labor, Environment and anti-corruption is excluded from our investment universe. Portfolio companies will be subject to a controversy screening to verify that companies in the portfolios are not involved in controversies and do not violate such principles or frameworks. Additionally, there shall be no clear indication that investee companies actively spread misinformation, maintain doubt or downplay the adverse impacts of their activities on sustainability factors. Funds For Good has the discretion to add on its exclusion list any company flagged in the media for disinformation, controversial behavior or irresponsible lobbying.

3.2.2 Negative Screening

Some economic activities could be harmful and lead to adverse impacts on sustainability factors. Companies directly involved in these harmful activities or significantly enabling such activities are excluded from the investment universe. Depending on the economic activity, a tolerance threshold of maximum 5% of revenues is accepted for some industries. For conventional oil & gas activities (and only for such activities), a limited exposure at portfolio level to a selection of the best ESG-ranked companies is tolerated, as described further in this document.

Any company that would be involved in the below activities while satisfying the authorized threshold shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities[2], if applicable.

Weapons
No investments will be made in companies involved in activities such as manufacturing, distribution, repair of or any other activity related to "controversial weapons". Any company that is involved in such activities is excluded from our investment universe. "Controversial weapons" typically violate fundamental humanitarian principles through their normal use. Those include, among others: indiscriminate weapons such as cluster munitions, anti-personal mines, landmines, etc. or mass destruction weapons such as biological/chemical weapons, nuclear weapons, etc. Besides, 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. We therefore favor tobacco-free portfolios. Any company that derives more than 5% of revenues from the production of tobacco, products that contain tobacco, distribution, retail sales or wholesale trading of tobacco is excluded.

---

[1] Compliance checks with OECD Guidelines, UN Guiding Principles on Human Rights or ILO Conventions are checked by delegated portfolio managers with the use of MSCI ESG Data.
[2] Contributing activities are activities that make a substantial contribution to one of the six Environmental Objectives defined by the European Commission.

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 commodities futures and contracts.

Coal and Non-conventional oil gas

Pursuant to our willingness to reach the Paris objectives, the use of coal and non-conventional oil & gas[3] in energy production should be kept at a minimum level. Any company deriving more than 5% of its revenues from thermal coal, non-conventional gas or non-conventional oil is excluded from the investment universe. Additionally, the production and the capacity production of coal, non-conventional gas or non-conventional oil of such companies shall not be increasing.

Conventional oil & gas

Companies involved in the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services are allowed in the portfolio provided that they derive less than 5% of their revenues from conventional oil & gas or make at least one third of their capital expenditures in activities aligned with the EU Taxonomy.

Additionally, Funds For Good allows a limited exposure of maximum 5% at portfolio level to companies that would not fulfill the two above-mentioned criteria provided that these companies are among the 25% highest ESG-rated companies within their peer group[4]. This maximum exposure shall be gradually reduced over time.

Power generation

With respect to power generation, Funds For Good considers the complete value chain and selects electricity utility companies that act to be in line with the Paris agreement. FFG funds will favor utility companies that announced a SBTi target set at below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment.

If such commitment hasn't been made or published, a company can be included in the investment universe if it complies with the three following criteria:

1. The company derives more than 50% of its revenue from contributing activities (such as power from renewable energies).
2. It does not derive more than 5% of its revenues from coal-based power generation
3. It does not plan any structural increase of the production (or production capacity) of coal-based or nuclear-based energy

---

[3] "Non-conventional" oil and gas are not chemically different from "conventional" oil and gas. The distinction stems from their position underground or from the unusual nature of their reservoirs. These conditions require the use of new, often complex, extraction methods which are also more polluting. "Non-conventional" oil and gas activities include the extraction of oil shales, oil sands based synthetic crudes and derivative products, shale gas and arctic oil & gas extraction.

[4] For the Best-In-Universe Policy, see paragraph 3.3 of this document. The same BIU Policy is applied for oil & gas companies.

Countries

Funds For Good funds will not hold financial instruments issued by government or state-owned companies of countries violating the UN Global Compact, or subject to international sanctions, or in countries that are under embargo by the European Union[5]. 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, Funds For Good funds will not invest in sovereign bonds issued by[6]:

- States that have not ratified or have not implemented in equivalent national legislation the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work[7] and at least half of the 18 core International Human Rights Treaties[8]
- States which are not party to the Paris Agreement, the UN Convention on Biological Diversity and the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF[9]
- States with less than 40/100 on the Transparency International Corruption Perception Index[10]
- States qualified as 'Not free' by the Freedom House 'Freedom in the World'-survey[11]

At the time of writing, FFG Global Flexible Sustainable is the only compartment that can invest in government bonds as per its investment policy. The fund will typically select government bonds issued by the United States or European Countries.

Other topics

At this stage, no specific analysis is applied on single criteria such as biodiversity, water use or taxation. Nevertheless, our minimum ESG score criteria of min BBB for Developed Markets and BB for Emerging Markets applied in our funds permits us to avoid most companies that would not meet minimum standards on those important topics.

ADDITIONAL EXCLUSION LISTS

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

[5] Countries under embargo by the EU can be found here: https://www.sanctionsmap.eu

[6] For diversification or currency risk hedging purposes, investments in sovereign bonds issued by the US, Japan or the UK is authorized if these countries do not comply with the above requirements anymore. Investments are then limited to a maximum of 30% (in total) of the portfolio. This threshold may temporary be exceeded in the event of extraordinary market conditions. In any case, this will be indicated on the Sustainability ID

[7] https://www.ilo.org/dyn/normlex/fr/f?p=NORMLEXPUB:11001:0::NO:::

[8] https://indicators.ohchr.org/

[9] http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions

[10] https://www.transparency.org/en/cpi

[11] https://freedomhouse.org/countries/freedom-world/scores

- Norges Bank Exclusion List (https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/
- PPGM Exclusion List (https://www.pggm.nl/media/rzfnyhtv/exlusion-list-companies.pdf)
- ASN Bank Nuclear weapons producers (https://www.dontbankonthebomb.com/nwproducers/)
- Global Coal Exit List: https://coalexit.org/database?name=&production=All&power_capacity=1&powerprod=All&revenue=All&page=1

Finally, the Investment Managers of each compartment of the FFG Sicav may also use additional lists making part of their internal screening tools.

3.3. Additional Policies applied in regional and mixed funds

On top of the “Do No Harm and Exclusion Policy” applied across the FFG Sicav, FFG regional and mixed funds apply the *Best-In-Universe policy* and *ESG policy* described below. The following compartments of the FFG Sicav fall under this category:

- FFG European Equities Sustainable
- FFG European Equities Sustainable Moderate
- FFG Global Flexible Sustainable

3.3.1. Best-In-Universe Policy

After the exclusion of companies involved in harmful activities (“negative screening”) and of companies that are or have been involved in controversies relating to human rights, labor, environment or anti-corruption (“normative screening”), the *Best-In-Universe policy* applies a “positive screening” on corporate securities. Any such corporate security must have a minimum ESG score of BBB for developed markets, or minimum BB ESG score for Emerging markets[12]. Any company that would not meet those criteria would be automatically excluded. However, some stocks that the investment managers would select are not covered by ESG data providers and don’t have an ESG score. The investment manager is allowed to invest in non-covered stocks provided that their total weight in the portfolio doesn’t exceed 10%.

3.3.2. ESG Policy

Eventually, after the application of the three types of screenings (“negative”, “normative” and “positive” screenings) at the level of each corporate security, the *ESG Policy* applied in FFG regional and mixed funds intends to improve the ESG characteristics of the portfolio as a whole, vis-à-vis a certain benchmark. The ESG Policy looks at the three following topics:

- **Environment**: we lower the carbon footprint of our portfolios

[12] Calculated at the issuer/company level

- **Social**: we enhance the social quality of our portfolios
- **Governance**: we implement a voting right policy

Environment: We lower the carbon footprint of every compartment of our Sicav by a minimum of 50% 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 to comply with the constraint. The carbon footprint of the portfolio and the benchmark are calculated as the weighted average of scope 1 and scope 2 emissions[13]:

Portfolio: $\sum \quad weight\ of\ issuer\ (i)\ in\ the\ fund * issuer's\ scope\ 1\ and\ 2\ emissions$
Benchmark: $\sum \quad weight\ of\ issuer\ (j)\ in\ the\ benchmark * issuer's\ scope\ 1\ and\ 2\ emissions$

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 to 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 competitiveness of compensation, benefits and performance incentive, casualties at work, employee representation, workforce reduction, collective agreements, employee turnover, etc. 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 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

[13] Scope 1 emission refer to all direct greenhouse gas emissions. Scope 2 emissions refer to indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam

Labor Management Scores (or ESG score if no Labor Management Score is provided) 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.

3.4. Additional policies applied in Thematic Funds

On top of the *"Do No Harm and Exclusion Policy"* applied across the FFG Sicav, specific investment constraints apply to Thematic Funds. The constraints relate to the sustainability objectives or "themes" brought forward and to the portfolio holdings.

Themes: FFG Thematic funds must clearly demonstrate a focus on sustainability. The approach they present must target specific topics presented in the United Nations Development Goals or must demonstrate a willingness to participate/foster a sustainable project or pursue a specific social impact.

Holdings: There must be a clear and demonstrable relationship between the theme put forward in the strategy and its underlying holdings, either through the activities or nature of the holdings, or through their intrinsic characteristics (demonstrated by proven data).

The following compartment of the FFG Sicav fall under this category:

- FFG Cleantech II: The compartment invests in quoted companies that deliver products or services for a cleaner or more efficient use of earth's natural resources. At least one third of each of the portfolio companies' activities, measured by revenues, profits or sum-of-the-parts, must correspond to the investment areas of the fund (as described in the prospectus). The portfolio's weighted average of activities, measured by revenues, profits or sum-of-the-parts of the portfolio companies, corresponding to the investment areas of the fund is targeted to be more than 75%. To some extent, the fund contributes to objectives 6 ("Clean water and sanitation"), 7 ("Affordable and clean energy"), 11 ("Sustainable cities and communities") and 13 ("Climate action"), of the UN Sustainable Development Goals[14].

3.5. Engagement policy

Engagement: in case of investments in oil & gas companies, the investment managers engage to dialogue with those companies to encourage them towards providing all necessary efforts to reach the goals of international environment treaties. The engagements performed and the voting rights exercised by the investment managers are monitored by Funds For Good.

[14] For more information on the UNDGs, see THE 17 GOALS | Sustainable Development (un.org)