

# FFG Global Defensive

A sub-fund of the SICAV FFG - SFDR Classification: Article 8 - LEI: 549300O9VSA66KF2JG53

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## *Summary*

This sub-fund promotes environmental and social characteristics and, although it does not have a sustainable investment objective, will contain a minimum of 10% sustainable investments.

The sub-fund's sustainable investment objectives are based on certain United Nations Sustainable Development Goals (SDGs). Investments are considered sustainable if they make a significant contribution to one or more of the SDGs defined by the manager. The sustainable investments made by the sub-fund concern investments in securities issued by companies.

In addition, the sub-fund promotes social and environmental characteristics via the ESG policy, which applies to all investments (excluding cash) made by the sub-fund. This policy is available on the Funds For Good ([www.fundsforgood.eu/documents](http://www.fundsforgood.eu/documents)). This ESG policy includes the exclusion of companies involved in controversial activities (such as tobacco, coal or arms) or subject to serious controversy, a Best-In-Class policy and a voting policy that takes ESG considerations into account.

Finally, investing in this Sub-Fund indirectly, and through the distribution coordinator, Funds For Good, helps to promote job creation in the fight against poverty.

## *No sustainable investment objective*

The Sub-Fund promotes environmental and social characteristics but does not aim to be a sustainable investment. However, the Sub-Fund may invest part of its assets in sustainable investments, up to a minimum of 10% of its net assets.

All indicators of negative impact on sustainability listed in Table 1 of Annex I to Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 (PAIs) are considered to ensure that any investment contributing to a sustainability area does not cause significant harm to an environmentally or socially sustainable investment objective. In this context, each potential investment is assessed qualitatively or quantitatively against all PAIs.

To this end, an internal model for monitoring significant negative impacts has been established. This model makes it possible to identify any significant harm that a sustainable investment may cause to other sustainability objectives. In this context, the Manager tests each potential and current investment against the SNI by applying a threshold to measure the level of negative impact. A threshold has been established for each of the PAIs listed in Table 1 of Appendix I.

Sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

## *Promoted environmental & social characteristics*

The investment manager aims to promote a wide range of environmental and social characteristics to which the sub-fund's underlying investments may be exposed.

### **Environmental characteristics**

- be an above-average contributor to the reduction of carbon emissions in its production processes or contribute to this objective through the products or solutions it offers;
- reduced water stress, efficient supply of raw materials ;
- make an above-average contribution to the reduction of (toxic) waste, packaging materials and the like, or offer products that contribute to this objective; and
- opportunities in clean technologies, renewable energies, green building, etc;
- reduction of carbon emissions.

### **Social Features**

- respect for labour law ;
- offer customers affordable access to finance, healthcare and communications
- respect for diversity and gender equality.

### **Promoting job creation to combat poverty**

In addition to the environmental and social characteristics promoted by the Sub-Fund through its investments, investing in this Sub-Fund indirectly generates a concrete social impact through Funds For Good, the SICAV's distribution coordinator. After deducting its operating costs, Funds For Good donates the greater of 50% of its net profits or 10% of its income to the social project it has created and manages, "Funds For Good Impact". "Funds for Good Impact devotes all its financial resources to combating poverty by promoting job creation. "Funds for Good Impact provides interest-free, unsecured loans to people in precarious employment who have a business project. This financial support (coupled with human support in the form of coaching) enables these entrepreneurs to set up their own business. More information is also available at [www.fundsforgood.eu](http://www.fundsforgood.eu).

## *Investment strategy*

The Sub-Fund's objective is to achieve long-term capital appreciation through a diversified portfolio, while limiting the risk of capital loss and maintaining a lower level of volatility than the equity markets. The Sub-Fund's investment strategy can be described as 'defensive'.

In order to achieve its objective, the Sub-Fund will invest primarily in debt securities of all types (including money market instruments), equities and equity-related securities, and UCITS and other UCIs (including Exchange Traded Funds – ETFs).

The proportion of assets allocated to each asset class varies over time. However, without this constituting a constraint, the investment manager intends to have a target exposure to equities of 30% of the Sub-Fund's net assets (through direct and indirect investments) and with a maximum limit of 50% of the Sub-Fund's net assets.

As part of this investment strategy, the fund will invest at least 10% of its net assets in "sustainable assets". The sub-fund's sustainable investment objectives are as follows:

- promote sustained, shared and sustainable economic growth, full and productive employment and decent work for all;
- promote the sustainable management and use of natural resources, halve global per capita food waste and significantly reduce waste production;
- building resilience and adaptability to climate-related disasters; and
- considerably reduce corruption and bribery.

These objectives are based on the four United Nations Sustainable Development Goals below:

- SDG 8: Decent work and economic growth ;
- SDG 12: Responsible consumption and production ;
- SDG 13: Climate Action; and
- SDG 16: Peace, justice and strong institutions.

The investment manager based its methodology on MSCI's assessment of alignment with the UN SDGs, which rates companies on a scale of -10 to 10. For a company to be considered a positive contributor to sustainable investing, it must achieve a minimum score of 0 for at least one of the four SDGs and must not be considered misaligned (score  $\leq -2$ ) with respect to the other three SDGs. For active funds and ETFs, the investment manager analyses companies' SDG scores based on the composition of their portfolio as a whole.

### *Breakdown of investments*

The Sub-Fund promotes environmental and social characteristics and will contain a minimum of 75% of investments aligned with the environmental or social characteristics promoted by the Sub-Fund ("#1 Aligned with E/S characteristics"). Cash and investments for hedging purposes (#2 Other) will not be aligned with the environmental and social characteristics promoted by the Sub-Fund. The weight of these investments in the portfolio will be limited to 25% of the fund's net assets in normal market conditions.

In addition, the Sub-Fund will contain a minimum of 5% of sustainable investments with a social objective and 5% of sustainable investments with an environmental objective in economic activities that are not considered environmentally sustainable under the EU taxonomy ("#1A Sustainable" below). The remainder of the Sub-Fund's net assets will be invested in investments aligned with the environmental or social characteristics promoted by the Sub-Fund that are not considered sustainable investments ("#1B Other I/S characteristics").

### *Monitoring of E/S characteristics*

The environmental and social characteristics promoted by the fund are measured using financial and extra-financial data published by companies or external data providers. Internal estimates may be used when certain data is not available. The total characteristics of the fund are measured via a portfolio construction process and implemented via a systematic model by the investment manager.

The investment manager uses a variety of sustainability indicators to measure the achievement of promoting environmental and social characteristics, including the following:

- Income from controversial activities such as arms, tobacco, fossil fuels, coal, nuclear power, alcohol or gambling;
- Revenue contributing to the SDGs;

- The absence of serious violations of the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organisation standards and the OECD Guidelines for Multinational Enterprises;
- Overall ESG rating(s) provided by leading ESG service providers;
- Carbon emissions and/or carbon intensity;
- Setting carbon emission reduction targets approved by the Science Based Targets initiative (SBTi); and
- The Funds For Good exclusion list.

### *Methodology*

Involvement in socially controversial activities, compliance with international human and labour rights standards and contribution to sustainability objectives are monitored on the basis of financial and non-financial information published by the portfolio companies or third-party data providers, or estimated internally by the investment manager.

Compliance with environmental and social criteria is checked before each new investment and on a regular basis after the investment has been made.

### *Data sources and processing*

A mixture of external data, mainly from data providers such as MSCI or S&P, is used to measure the percentage of sustainable investment and to enable the environmental and social characteristics promoted by the sub-fund to be taken into account. This data is processed, analysed and cleaned by dedicated teams at the investment manager, who may supplement it with qualitative analysis.

### *Limits to methodologies and data*

ESG data does not always cover the entire investment universe of the investment manager. Furthermore, estimates are often used, and even when the data is available, the methodologies used to calculate the data are sometimes open to interpretation and therefore questionable. Despite these limitations, the data received and finally processed is robust and sufficiently reliable to be used as part of the investment process.

The Investment Manager constantly monitors the data available and strives to improve its quality. In addition, the Investment Manager regularly enhances its data team and internal modelling capabilities to continuously improve the use and reliability of data.

Neither the Investment Manager, the Management Company nor the Distribution Coordinator can assume any responsibility for the accuracy of the valuation by external data providers and the accuracy, including completeness, of the analysis prepared by third party providers. The Investment Manager, the Management Company and the Distribution Coordinator have no influence over any disruptions or limitations (e.g. due to estimates) in the analysis and preparation of research by third party providers.

### *Due diligence*

The Investment Manager carries out an in-depth analysis of each of the Sub-Fund's underlying assets on the basis of various financial and extra-financial data. This provides a solid assessment of each underlying asset. Rigorous controls are in place, through pre- and post-investment compliance systems, a dedicated team of data analysts and portfolio management oversight.

### *Engagement policy*

## Sustainability information - Publications on the website

Orcadia AM does not take an activist approach of investing in unsustainable companies in order to influence their management. However, the company recognises that in certain sectors, sustainability risks are higher than in others, even for companies that may be considered above average in their sector. Companies operating in these sectors may be subject to bilateral communication when a sub-fund's exposure exceeds €25 million. In this context, the sustainability team assesses any shortcomings in the company's sustainability profile and, if necessary, engages in formal dialogue with the company. If no satisfactory response is received within a reasonable period of time, the case is submitted to the investment committee, which determines the appropriate measures, including voting against certain governance resolutions or temporarily excluding the company from the investment universe. In the event of exclusion, divestment must be completed within a maximum of three months.

The sub-fund employs a voting policy that takes ESG factors into account. The manager has signed a voting contract (as part of its sustainability proxy voting programme) with ISS, a world leader in the field. ISS analyses all the items submitted to general meetings and, on the basis of their criteria, which include ESG considerations, indicates for each item whether a vote for or against the item submitted to shareholders seems appropriate. As part of the contract, ISS votes for the manager at the general meetings of all the companies in which the sub-fund is invested.

### Lexicon

**Issuer** A company, government, government agency, government-controlled body or supranational or public international entity that registers and sells securities.

**I/O** Environmental and/or social.

**ESG** Environmental, social and governance.

**Benchmark index** Index or combination of indices used by the fund to achieve or compare its I/O characteristics.

**Sustainable investment** An investment in economic activities undertaken by companies that follow good governance practices and contribute to an I/O objective without significantly undermining other I/O objectives.

**The Sustainable Development Goals (SDGs)** were adopted by the United Nations in 2015. They are a global call to action to eradicate poverty, protect the Planet and ensure that all human beings live in peace and prosperity by 2030. There are 17 SDGs, including "No Poverty", "Zero Hunger" and "Reduced Inequality". Further information on the SDGs is available at <https://www.undp.org/fr/sustainable-development-goals>

**United Nations Global Compact** A United Nations initiative to encourage the world's businesses to adopt sustainable and socially responsible policies, and to be accountable for their implementation.

**ESG risk, sustainability risk** ESG event or trend likely to damage the reputation or financial situation of a company or sovereign issuer.

**ESG Score** A measure of an issuer's exposure to ESG and sustainability risks. This measure is calculated on the basis of data and the calculation methodology is developed by the investment team.

**SFDR** Regulation (EU) 2019/2088 for financial products on the publication of sustainability information.

**EU Taxonomy** Official EU classification of economic activities that contribute to an environmental objective (such as climate change mitigation, water protection, circular economy, pollution prevention or biodiversity protection). In the future, the taxonomy will include activities with a social objective.