

## Website sustainability-related disclosures

**Product name:** FFG European Equities Sustainable **Moderate**

**Legal entity identifier:** 54930009VSA66KF2JG53

**Datum:** 31/12/2022

### a. Summary

The Sub-Fund promotes environmental and social characteristics such as the reduction of carbon emissions, the respect of international standards on human and labor rights, the exclusion of controversial activities, the prioritization of virtuous companies in terms of environmental, social and governance issues and the fight against poverty through job creation. The sub-fund will not make sustainable investments.

**Important remark:** The environmental and social characteristics are promoted via the investment by this sub-fund in another sub-fund, FFG European Equities Sustainable (the “Master Fund”). According to its investments strategy, this sub-fund invests at least 85% of its net assets into the Master Fund. The remainder of the assets are cash investments and investments for the purpose of hedging. The derivative instruments in which the sub-fund invest are not used to attain the environmental and social characteristics promoted by the sub-fund.

### b. No sustainable investment objective

The sub-fund promotes environmental and social characteristics but will not make sustainable investments.

### c. Environmental or social characteristics of the financial product

#### **Carbon Reduction**

The portfolio construction process will make such that the carbon emissions of the portfolio will be reduced compared to the reference benchmark of the sub-fund.

#### **Compliance with international human and labor rights standards**

This Sub-Fund will only invest in securities issued by companies that comply with international human rights, labor, environmental and anti-corruption principles, standards or frameworks.

#### **Exclusion of socially controversial activities**

This Portfolio will only invest in securities issued by companies that are not materially involved in economic activities considered harmful, such as (but not limited to) the manufacture and trade of arms, tobacco or coal.

#### **Prioritization of environmentally, socially and governance virtuous companies**

Issuing companies must have a minimum ESG score as calculated by MSCI. This score covers all three dimensions of ESG and gives an indication of how a given issuer compares to other issuers in terms



of ESG risk. The imposition of a minimum ESG score avoids investing in companies that could result in significant ESG risk to the sub-fund. In addition, companies with the worst labor management records will be excluded from this sub-fund.

#### **Promoting job creation to fight poverty**

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

#### **d. Investment strategy**

As a "feeder fund" into FFG European Equities Sustainable (the "Master Fund"), this sub-fund applies the following strategy.

Firstly, the investment strategy will ensure that the weighted average carbon emissions (scope 1 + scope 2) of the equity portion of the portfolio are always at least 50% lower than that of the reference index of the sub-fund (l'indice MSCI Europe).

The sub-fund also applies an "exclusion" strategy, whereby issuers of financial securities are excluded from the investment universe if they do not comply with certain international standards, and/or are involved in controversial activities beyond a pre-defined materiality threshold, or if they are in the bottom 5% of its investment universe in terms of Labor Management Score. This strategy is also based on an exclusion list of issuers (companies and/or states) in which the Sub-Fund may not invest.

Finally, the sub-fund also applies a "best-in-universe" strategy, selecting only issuers with a minimum ESG score (as calculated by MSCI) depending on the investment universe in which the issuer is located. Two universes are distinguished here: the universe of companies from developed countries, and the universe of companies from emerging countries.

#### **e. Proportion of investments**

The Sub-Fund invests at least 85% of its net assets in the Master Fund. On an ancillary basis and in order to limit the exposure of the Sub-Fund to equity market risks, a systematic hedging of the equity exposure will be implemented. The hedging will limit the exposure of the fund to the equity market to a maximum of 50%. The assets of the portfolio not invested in the Master Fund or in the hedging instruments will be kept as cash in the Sub-Fund.

Derivatives are used for hedging purposes. Equity derivatives are used primarily to limit the fund's exposure to the equity market to a maximum of 50% and secondarily to rebalance the fund's regional exposure. Currency derivatives are used to modify the portfolio's currency exposure and reduce the



currency risk for a EUR investor. These derivatives are not used to attain the environmental or social characteristics promoted by the sub-fund.

#### **f. Monitoring of environmental or social characteristics**

The environmental and social characteristics promoted by the fund are measured with financial and non-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.

#### **g. Methodologies**

Involvement in controversial activities, compliance with international human and labor rights standards, minimum ESG scores and the carbon profile of the sub-fund are monitored on the basis of financial and non-financial information published by the portfolio companies or by third-party data providers, or estimated internally by the investment manager.

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

#### **h. Data sources and processing**

A mixture of external data, primarily from self-reported carbon emissions data, as well as internal modelling estimates are the data sources to measure the attainment of the environmental characteristics promoted by the product. The Investment manager has a dedicated team of data scientists who scrub and clean data received in order to ensure data quality. A dedicated Investment Process and Data Team ensures that data is processed efficiently and without issues.

The majority of emissions data is obtained from third party data sources, however even within this purchased data, data vendors themselves use modeling or estimation techniques where reported data isn't available. Where no data is available from third party vendors, the investment manager estimates the remainder.

#### **i. Limitations to methodologies and data**

ESG data coverage doesn't typically cover the investment manager's full investment universe of stocks. In addition to this, estimations are often used and even when data is available, there are cases where methodologies of data calculations are open to interpretation and therefore debatable.

Despite these limitations the data received and ultimately processed are robust and can be relied upon sufficiently to be utilized within the investment process. The investment managers continuously monitor available data to discover improved data. Beyond this, the investment manager regularly strengthens its data team and internal modelling capabilities in order to continuously improve data use and data reliability.



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 analyses 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.

**j. Due diligence**

The Investment Manager assesses each of the underlying assets within the financial product based on over 100 underlying signals or factors, both for the financial and the environmental and social characteristics that the sub-fund promotes. This helps provide a robust assessment of each and every underlying asset. Rigorous controls are in place such as compliance systems, a data team and Portfolio Management oversight.

**k. Engagement policies**

Engagement is part of the strategy. The investment manager engages both directly with companies as well as via collaborative engagement efforts. The engagement themes include Climate Change, Corporate Culture, Corporate Behaviour and those involved in Escalating ESG Controversies.