

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

**Yes**
   **No**

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 5% of sustainable investments <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>
---	--



**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### What environmental and/or social characteristics are promoted by this financial product?

- The Fund promotes adherence to the 10 Principles of the UN Global Compact, the 17 UN Sustainable Development Goals (SDG's) and the UN Principles for Responsible Investing which are the frameworks which guides the management of the fund.
- The characteristics promoted by this financial product consist of investing in corporates with excellent Environmental, Social and Governance ratings while excluding companies involved in controversial products or activities with respect to animal welfare, fossil fuels, producing tobacco or military weapons as well as any company from the gambling sector. With respect to fossil fuels, companies active in coal, tar sands, oil shale, unconventional fossil fuels, deep sea drilling and arctic drilling are excluded.
- The data used may come from multiple sources, such as Sustainable Platform, CDP (Carbon Disclosure Project), Refinitiv, Factset, Bloomberg...

***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators used to measure the attainment of these characteristics are :

- a. GHG emissions scope 1, 2 and 3 as well as their evolution over time and the presence of emission reduction targets
- b. The energy efficiency
- c. Policy with respect to water and waste management
- d. The contribution of the investee companies with respect to the 17 SDG's from the UN.
- e. Whether the investee companies are signatories of the UN Global Compact.
- f. Whether the investee companies are GRI compliant in their sustainability reporting.
- g. The presence of policies with respect to environmental issues, human rights, child labour, anti-bribery and whistle-blower protection.
- h. Board Gender diversity
- i. The rate of accidents/injuries in investee companies

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The sustainable investments of the Fund mainly aim to further the transformation and decarbonization of the economy in order to mitigate the impact of climate change as well as to adapt to climate change. The sustainable investment objective is attained by mainly investing in companies that advance the following United Nations Sustainable Development Goals (SDGs): Affordable and clean energy goal (SDG 7), Decent work and economic growth (SDG 8), Industry, innovation and infrastructure (SDG 9), Sustainable cities and communities (SDG 11) and Climate action (SDG 13). Investments in Wind Power and solar photovoltaic energy production are considered as significantly contributing to climate change mitigation under the EU Taxonomy. Also, investments in companies that are substituting fossil fuels with low- or net-zero carbon fuels can make a substantial contribution to CO2 net emissions savings in the transport sector by enhancing climate neutral mobility.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

All investments qualifying as sustainable are screened against all relevant significant harm indicators under the EU Taxonomy. The Fund assesses the contribution of companies to the Sustainable Development Goals (SDG's) and monitors the Principal Adverse Impact indicators referred to in Annex I of the SFDR Delegated Act. The Fund also considers whether the sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights through negative screening and the exclusion policy.

— — ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The fund considers principal adverse impacts on sustainability factors as referred to in Annex I of the SFDR Delegated Act.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Pre-investment, the following principal adverse impacts on sustainability factors are considered:

- Via the applied normative and activity-based exclusions, the following PAIs are considered:
  - Exposure to companies active in the fossil fuel sector (PAI 4, Table 1)
  - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons (PAI 14, Table 1)
  - Violations of the UN Global Compact Principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10, Table 1)
- Via the ESG integration process, as part of the investment due diligence policies and procedures, the following PAIs are considered:
  - All indicators related to GHG emissions, as part of the required Climate Risk analysis (PAI 1-6, Table 1, PAI 4, Table 2)
  - Biodiversity, water and waste indicators (PAI 7-9, Table 1) when relevant for the sector
  - Board gender diversity (PAI 13, Table 1)

Post-investment, the following principal adverse impacts on sustainability factors are taken into account:

- All indicators related to Climate and environmental issues (PAI 1-9, Table 1)
- Indicators in related to social and employee matters (PAI 10-13, Table 1; PAI 1-2-4-6-9-10, Table 3)

— — — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:* It is the purpose of the fund to only invest in investee companies which respect business and human rights and adhere to international norms and laws. All assets in the fund are screened versus some qualitative indicators such as the presence of policies on environmental issues, business ethics and human rights and which aim to respect international norms and regulation as laid out in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. In that respect, strong governance principles are key which is why the fund supports an independent, diverse board of directors and prefers that key committees such as audit, nominating and compensation committees be comprised of independent directors.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes, The fund considers principal adverse impacts on sustainability factors as referred to in Annex I of the SFDR Delegated Act, both pre-investment as well as postinvestment (see explanation above). Upon investment and over the life of the product, we assess and monitor indicators that are deemed to indicate the presence of a principal adverse impact as per EU law, as far as we are able to collect data. We address adverse impacts by reducing or completely sell the exposure to investee companies which score below average on the principal adverse impact indicators, and which don't manage to improve on these indicators. When the AUM's of the fund will increase above EUR 50 million, we intend to delegate voting rights to proxy voting companies.

No



## What investment strategy does this financial product follow?

The sub-fund's assets are invested in equities of companies that have an Environmental, Social and Corporate Governance (ESG) focus. Within the security selection process, the subfund applies generally accepted strategies for the implementation of the ESG approach. The ESG performance of a company is evaluated independently from financial success based on a variety of indicators, which consider ecological and social objectives as well as corporate governance. For the assessment, transparency as well as the product and service range of a company will be taken into consideration. The Sub-fund's approach is to be a long-term investor in its chosen stocks. It will not adopt short-term trading strategies. The investment process comprises two different sets of selection criteria: 1) The first selection process will follow stringent investment criteria in selecting securities for the Sub-fund's investment portfolio. These criteria aim to ensure that the Sub-fund invests in high quality companies:

- That realize a high and sustainable return on operating capital employed;
- That realize high and sustainable free cash flows;
- Who dispose of competitive advantages which are difficult to replicate;
- Which do not require significant leverage to generate returns;
- With a strong growth profile;
- That are resilient to change, particularly technological innovation;
- Whose valuation is considered by the Sub-fund to be attractive.

In a second phase, the shortlisted equities will be screened on the ESG parameters and final selection will be made in line with the internal ESG policy of the Investment Manager.

- Within this process, the fund starts with excluding companies involved in controversial products or activities with respect to animal welfare, fossil fuels, producing tobacco or military weapons as well as any company from the gambling sector. With respect to fossil fuels, companies active in coal, tar sands, oil shale, unconventional fossil fuels, deep sea drilling and arctic drilling are excluded.

Then, the fund considers ESG factors by focusing on the potential impact of ESG issues on company financials.

**Environmental** issues concern any aspect of a company's activity that affects the environment in a positive or negative manner. Examples include greenhouse gas emissions, renewable energy, energy efficiency, resource depletion, chemical pollution, waste management, water management, impact on biodiversity, etc.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

**Social** issues vary from community-related aspects, such as the improvement of health and education, to workplace-related issues, including the adherence to human rights, nondiscrimination and stakeholder engagement. Examples include labour standards (along the supply chain, child labour, forced labour), relations with local communities, talent management, controversial business practices (weapons, conflict zones), health standards, freedom of association, etc.

**Governance** issues concern the quality of a company's management, culture, risk profile and other characteristics. It includes the board accountability and their dedication towards, and strategic management of, social and environmental performance. Furthermore, it emphasises principles, such as transparent reporting and the realisation of management tasks in a manner that is essentially free of abuse and corruption. Examples include corporate governance issues (executive remuneration, shareholder rights, board structure), bribery, corruption, stakeholder dialogue, lobbying activities, etc.

The assessment of the ESG factors by the companies is being done through various sustainability indicators, as well as by monitoring the PAI's (Principal Adverse Impact indicators) as defined by the RTS (annex supplementing Regulation (EU) 2019/2088) whereas we want to solely invest in companies that belong to the top-half of their sector with regards to their environmental impact and respect for social matters. For this, we rely on data providers, such as Sustainable Platform, CDP, Bloomberg, Factset or Refinitiv. In the end, we aim to construct a portfolio that reaches a sustainable development profile that is clearly above the average of the universe, both as to the contribution to the 17 SDG's of the UN, as with respect to the PAI's as defined by the RTS.

The selection criteria of MFP Sicav plc Raphael's Ethical Choice fund follows a best-in-class approach, but at least the fund will invest in companies that overall, on the 3 dimensions of Environmental, Social and Governance have a scoring that put it in the best 50th percentile of the Investment Universe. Exceptions can be made as some companies could be very close to the threshold and moving in the right directions or because we lack some data. Therefore, on a fund level, at least 80% of the fund's assets, excluding cash, must fulfill the ESG criteria that put it in the best 50th percentile of the Investment Universe. Furthermore, the different sustainability indicators mentioned previously are monitored continuously and the fund will invest in the companies that have a good scoring on the sustainability indicators while setting targets for improvements on their GHG emissions.

Compliance with the characteristics is monitored on a regular basis.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The exclusion of companies involved in controversial products or activities with respect to animal welfare, fossil fuels, producing tobacco or military weapons as well as any company from the gambling sector is a binding element.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

As at least 80% of the fund's assets, excluding cash, must fulfill the ESG criteria that put it in the best 50th percentile of the Investment Universe, the implementation of the selection criteria leads to the exclusion of around 50% of potential investments.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Good governance practices are assessed by a variety of indicators comprising Tax compliance, the remuneration policy, policies with respect to human rights, policies with respect to bribery & anti-corruption, including whistleblower protection. The investee companies are rated for governance aspects using the Sustainalytics ratings, which are complemented by a qualitative analysis based on available information from the company itself, as well as other sources such as Bloomberg. In that respect, an independent, diverse board of directors is considered positively as well as key committees such as audit, nominating and compensation committees that comprise independent directors.

**What is the asset allocation planned for this financial product?**

The fund invests in direct holdings. In order to meet the environmental or social characteristics promoted, the fund generally invests about 70% of its assets in companies that fulfill the ESG criteria. Hence, 70% of the investments are aligned with the social or environmental characteristics. This includes at least 5% of the total investments that are qualified as Taxonomy-aligned sustainable investments. 30% of the investments do not incorporate any environmental or social characteristic. These figures are not a target allocation but rather a pre-contractual minimum percentage.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund doesn't use derivatives to attain environmental or social characteristics but uses derivatives for hedging and/or efficient portfolio management while the underlying instruments are often broad equity indices

*[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*



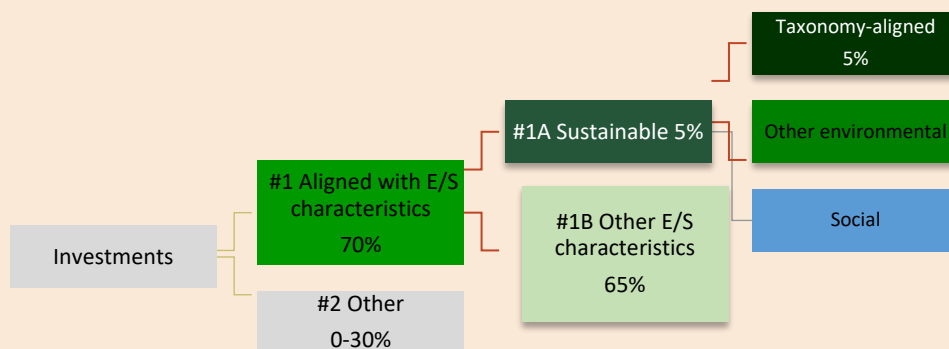
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

green operational activities of investee companies.

*[Include only relevant boxes, remove irrelevant ones for the financial product]*



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

*[include the note below where the financial product commits to making sustainable investments]*

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund will assess the alignment with the EU taxonomy based on the KPI's that will be published by investee companies.

- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

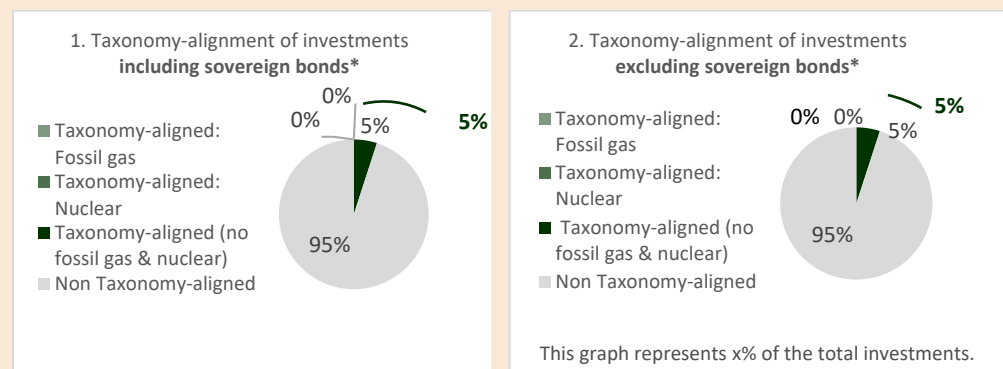
Yes: *[specify below, and details in the graphs of the box]*

In fossil gas  In nuclear energy

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

*[only include in the graphs the figures for Taxonomy aligned fossil gas and/or nuclear energy as well as the corresponding legend and the explanatory text in the left hand margin if the financial product makes investments in fossil gas and/or nuclear energy]*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

- What is the minimum share of investments in transitional and enabling activities?

0%.



## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

0%. While the fund is committed to a minimum level of sustainable investments overall, no allocation between environmental and social objectives has been determined in advance.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

*[include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]*



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

0%. While the fund is committed to a minimum level of sustainable investments overall, no allocation between environmental and social objectives has been determined in advance.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The category “#2 Other” will mainly be attributable to holding cash which traditionally represents about 20% of the portfolio. The fund will not invest in companies that are not aligned with the 10 Principles of the UN Global Compact. However, the fund might lower their minimum thresholds for company selection if it believes that the company is putting efforts to improve on the ESG criteria.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

N/A

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

N/A

- *How does the designated index differ from a relevant broad market index?*

N/A

- *Where can the methodology used for the calculation of the designated index be found?*

N/A

*[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



### Where can I find more product specific information online?

More product-specific information can be found on the website [www.i4gam.com](http://www.i4gam.com)