

Sustainability-related disclosure for AGCM fund – Asia Dividend sub-fund

SUMMARY

AGCM Fund Asia Dividend sub-fund promotes environmental and social characteristics but does not have sustainable investments as its objective.

The sub-fund's goal is to generate a positive financial return to the investors while promoting a sustainable development through the investments. The approach is based on the belief that while aligning with goals and initiatives such as the Paris-agreement and UN Agenda 30, Asia Dividend sub-fund contributes to a more sustainable world and at the same time increases the risk-adjusted return to investors by selecting well-run companies which manage sustainability risks. The sub-fund seeks to invest in companies which make a positive contribution to a sustainable future and avoid companies which have a decisively negative impact on human health, the society, or the environment. The sub-fund conducts an active ownership based on proxy voting, and when possible, through pooled engagement.

The sub-fund is committed to invest a minimum of 70% of the assets to in investee companies with environmental or social characteristics, of which all of them are classified as "Other E/S characteristics". The investments are made directly in the investee companies.

The basis for assessing the environmental and social characteristics of the investee companies is based on a combination of information from the companies' sustainability reports, data from Bloomberg and screening by an external ESG consultant.

The investee companies are usually familiar to the Investment Manager before the initial investment as their performance has been followed for a period before the first share buying. The view of the Investment manager of the investee company is reviewed against information sources including scoring extracted from Bloomberg prior to investment. A decisive negative sustainability rating will usually make the Investment Manager refrain from investment.

The holdings are screened regularly through the holding period and principal adverse impacts on sustainability factors is tracked and calculated on a quarterly basis.

NO SUSTAINABLE INVESTMENT OBJECTIVE

This product promotes environmental or social characteristics but does not have as its objective sustainable investments. The sub-fund strives to invest in companies which make a positive contribution to sustainability and the investee companies may qualify as sustainable investments. Nonetheless, the sub-fund has classified its holdings as having environmental or social characteristics rather than sustainable.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The sub-funds promote investments with Environmental and/or Social Characteristics by selecting companies contributing to a sustainable development and with good corporate governance practices. In the selection of investments, the Sub-funds seek to promote one or more of the UN Sustainable Development Goals "SDGs", of which the following are the most prevalent and measured for the sub-funds:

- **Good health and well-being:**
This goal promotes healthy lives and well-being for all at all stages.

Investee companies which contribute to this goal include pharmaceutical companies with drugs that counteract diseases, pharmaceutical distribution or life and health insurance.

- **Decent work and economic growth:**

This goal promotes sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

Investee companies found under this goal include those which provide inclusive education, employee training, work health and safety protection and career ladders. It may also comprise companies which provide digital market platforms offering commercial opportunities across the country and for all sizes of operation.

- **Industry, innovation, and infrastructure**

This goal promotes building of resilient infrastructure, promotes inclusive and sustainable industrialization, and fosters innovation.

The sub-fund's holdings contributing to this goal include activities in cloud services, EVs and autonomous driving technology, broadband and industrial digitalization services, products with water savings and purification technologies, robotics and fintech.

- **Sustainable cities and communities**

This goal promotes inclusive, safe, and sustainable cities and human settlements

The sub-fund's holdings which qualify as contributing to this goal include operations in logistics, AI cloud applications related to smart cities with lower energy consumption or increase road safety technology, inclusive finance for SMEs and the rural population, green construction methods and green buildings, green bond issuance and green insurance. It also includes companies involved in regional development strategies cleaning up the environment and improving biodiversity, flood control and disaster relief technology and rural revitalization as well as shanty town redevelopment.

- **Climate action**

This goal calls on urgent action to combat climate change and its impacts

Investee companies qualifying under this goal include those being active in provision of green loans and securities backing emission reduction projects, technologies enabling emission reduction of GHG and farmland protection. It also includes companies which have committed and quantified GHG emission reduction targets by 2030, having policies for pollution and environmental impact control and green construction and low carbon practices projects.

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INVESTMENT STRATEGY

AGCM Fund Asia Dividend sub-fund is an actively managed long-only fund which select companies based on fundamental research. In the bottom-up investment process, the aim is to select companies with strong market positions, financial strength, good corporate governance standards and strong long-term growth prospects. The strategy to focus on industry leaders usually entails picking companies which are at the forefront of formulating and adhering to high ESG standards and thereby promoting sustainability.

The sub-fund strives to select companies which contribute to one or more of the Sustainable Development Goals, which can manifest itself in several ways and often result in a combination of

them. The contribution can be determined by share of revenue aligned with the goals, issuance of green bonds, financial inclusion, or engagement in voluntary activities such as promotion of rural development, or IT-literacy.

The sub-funds apply negative screening to exclude companies involved in harmful activities with a negative impact on human health, society, and the environment. The threshold for determination of negative impact is company business operations generating revenues of **more than five percent** from production or distribution of the following activities:

- Fossil fuels
- Alcohol
- Tobacco
- Gambling
- Pornography (0% for production, 5% for distribution)

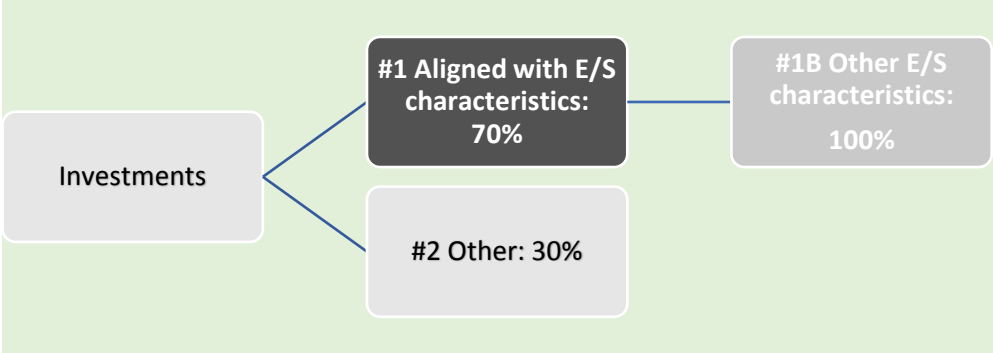
Revenues **more than 0%** from production or distribution:

- Controversial weapons
- Nuclear weapons

The Sub-fund’s policy is to assess the good governance practices of the investee companies based on adherence to international norms such as the OECD Guidelines for Multinational Enterprises and the Ten Principles of the UN Global Compact. Furthermore, the investee companies are reviewed for sound management structure including employee relations, welfare and remuneration and compliance with tax regulation.

The Sub-fund considers good corporate governance practices to be important and regularly uses its voting rights through an external proxy voting agent to this aim.

PROPORTION OF INVESTMENTS



The Sub-fund invests in stocks which are aligned with E/S characteristics based on negative screening and selection of companies which promote one or more of the UN Sustainable Development Goals. The remainder is either cash or derivatives used for currency hedging without any social or environmental characteristics

The Sub-fund will normally allocate a minimum of 70% of assets in investments with E/S characteristics. The holdings are entirely direct investments in investee companies. Out of the assets aligned with E/S characteristics, 100% is Other E/S characteristics.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The investee companies' contribution to UN Agenda 30 sustainable development goals are monitored throughout the holding period and reviewed annually, while the data for scoring on the Principal Adverse Indicators is collected on a quarterly basis.

The sub-funds are screened for compliance with sector-based exclusion criteria both through an external ESG consultant and internal screening against published data. The negative screening is an ongoing process throughout the holding period and is performed semi-annually in cooperation with the external ESG consultant.

Negative screening consists of norm-based screening to ascertain that companies align with international norms such as the ten principles of the UN Global Compact, OECD's guidelines for multinational companies, UN's Declaration of Human Rights which is performed semi-annually in cooperation with the external ESG consultant while available data from data source providers are collected and reviewed quarterly.

The sub-fund takes the following Principal Adverse Impact indicators on sustainable factors into consideration:

- GHG emissions
- Carbon footprint
- GHG intensity of the investee companies
- Exposure to companies active in the fossil fuel sector
- Share of non-renewable energy consumption and production
- Energy consumption intensity per high impact climate sector
- Activities negatively affecting biodiversity-sensitive areas
- Emissions to water
- Hazardous waste and radioactive waste ratio
- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)
- Investments in companies without carbon emission reduction initiatives
- Lack of anti-corruption and anti-bribery practices

METHODOLOGIES

Positive screening

Positive screening is part of AGCM's bottom-up stock picking Investment process and an ongoing part of the review of investee companies' periodic reporting. The selection process is based on data and statements relating to promotions of SDGs which are normally sourced from companies' sustainability reports by AGCM's investment professionals.

Negative screening

Negative screening is done as a part of the investment selection process and is subsequently performed semi-annually in collaboration with an external ESG consultant. The negative screening is based on data collection from external data source providers to ascertain compliance with exclusion criteria as well as judgement from the external ESG consultant.

DATA SOURCES AND PROCESSING

Data sources used to attain the environmental or social characteristics are the sustainability reports by the investee companies which are reviewed by the investment manager's investment professionals. The data is processed directly by the investment manager of AGCM Fund with its sub-funds. Negative screening results are obtained from an external ESG consultant, data extracted from Bloomberg, as well as the internal investment professionals' ongoing review.

LIMITATIONS TO METHODOLOGIES AND DATA

There is an inherent difficulty in verifying that reported data is correct and relevant. The investee companies are gradually improving their sustainability reporting. However, important data is not provided on all KPIs. In addition, while the data for given metrics may be published, there may be a lack of relevant information which would significantly alter the scoring. The underlying data for the measurement and assessment of Principal Adverse Impacts is sourced entirely from Bloomberg which is judged to be a reliable data provider.

DUE DILIGENCE

The assets of the AGCM Fund with its sub-funds is reviewed monthly by the Investment Manager's staff and checked for accuracy in an internal documentation which is reviewed at different times by the control functions including the risk manager, internal auditor, and the auditor. The review of compliance with exclusion criteria is performed on all holdings on a quarterly basis and adherence to international norms at least semi-annually.

ENGAGEMENT POLICIES

In order to influence companies to change and develop their operations in a sustainable way, AGCM collaborates with other asset owners through an ESG advisor. In case companies held by the sub-funds are involved in controversial situations, AGCM uses pooled engagement to influence them to develop in a sustainable manner. Unless a positive change can be seen, the sub-funds will sell their holdings. AGCM exerts influence on sustainability through participation at AGMs/EGMs through

proxy voting by an ESG advisor.

DESIGNATED REFERENCE BENCHMARK

No index is used as a reference benchmark to measure the attainment of environmental or social characteristics promoted by the AGCM Fund with its sub-funds as the investment management is done independently from indices.