



Sustainability Investment Policy

Sustainability & ESG Investment Approach

Alpha Investor Services Management S.A. (also referred to as “AISM S.A.” or “The Company”) is a Management Company with approximately EUR 300 million under management. Some of the sub-funds it manages have environmental, social and governance (ESG) characteristics.

The Company seeks to create positive returns by applying a sustainable investment approach, which means the integration of sustainability risks in our investment decision-making processes. AISM S.A. has developed its internal policies and investment processes to ensure that the companies the funds invest in meet its expectations in terms of sustainability.

Sustainability risk means an environmental, social, or governance event or condition that, if it occurs, could potentially or actually cause a material negative impact on the value of an investment. Sustainability risks can either represent a risk of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks. Sustainability risks may have an impact on long-term risk adjusted returns for investors. Assessment of sustainability risks is complex and may be based on environmental, social, or governance data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

Consequent impacts to the occurrence of sustainability risk can be many and varied according to a specific risk, region or asset class. Generally, when sustainability risk occurs for an asset, there will be a negative impact and potentially a total loss of its value and therefore an impact on the value of the investment.

AISM S.A. believes that it is possible to add value to its clients and investors by actively considering the integration of sustainability risks in its investment decisions through investment research and performance monitoring. The basis for such strategies considers that investors can concomitantly reach a competitive financial return and make a positive impact on society and the environment.

AISM S.A. considers that promoting a sustainability culture can enhance long-term positive returns for investors. That is why the Company strives to apply a rigorous screening process of the companies the funds are invested in with its sustainability criteria.

Our position in the matter

AISM S.A. expects that companies the funds invest in meet its standards in terms of environmental, social and governance practices. The Company has defined its own position as it follows:

AREAS OF EXCLUSION

AISM S.A. avoids investing in issuers which operate in sectors that the Company considers unethical, not sustainable, harmful to the environment, people, or social relationships.

AISM S.A. intends to exclude from investable issuers those issuers with **significant** revenues exposures in the following sectors:

Weapons

AISM S.A. considers weapons and their use as controversial due to their negative effects on people.

AISM S.A. has chosen not to invest in companies involved in the production or development of weapons.

Human rights:

AISM S.A. considers human rights as a fundamental right, which governments should be responsible of.

The Company expects that investee companies recognize and put in place sufficient instruments to protect human rights principles.

AISM S.A. does not intend to invest in companies which are or could be involved in human right abuses, pornography and sexual abuses, slavery, child labour etc...

Alcohol and Tobacco:

AISM S.A. considers alcohol and tobacco as controversial given the negative effects they have on people and health. That is why the Company has chosen avoiding investing in such a companies.

The list is not exhaustive.

AISM S.A. will rely on the exposure of the issuers to such sectors in terms of revenues. To assess the negative involvement in any of the above-mentioned areas, both the direct and indirect involvement will be considered:

- Direct involvement by considering if investee companies revenues in such sectors are significant in proportion to their total revenues;
- Indirect involvement: by considering if investee companies invest in turn in one or more firms which would be considered as having a direct exposure in such areas of exclusion.

Although AISM S.A. aims to avoid the above described exposures for its funds applying sustainability criteria, the Company believes that setting a specific threshold for revenues exposure is not the best way to comply with the funds' investors' expectations and apply the exclusion goal. AISM S.A. will fulfil its due diligence on the target investment before determining that it is a **real** and **significant** exposure.

OPERATING APPROACH

RESEARCH

AISM S.A. will identify, through appropriate internal due diligence, which are the best opportunities within the available and investable issuers. For its due diligence purposes, the Company will take into consideration the following rules:

- **ESG rating:** AISM S.A. will use **MSCI ESG Ratings** to assess the opportunity to invest in an issuer. MSCI assigns a rating between AAA and CCC. AISM will invest at least 70% of the portfolio in issuers with a rating BBB or higher. The weighted average of the portfolio rating must be BBB or higher;
- **Controversies Flags:** according to the MSCI system, investee companies controversies will be analysed and rated by applying a "Red-Orange-Yellow-Green lights", from more severe to no

controversy status. The issuers will be flagged at the worst flag level of its controversies status. Controversies are an important evidence and alert to investors regarding potential harmful events. AISM S.A. will exclude investee companies with a red flagged controversy status from its potential investment universe.

Specifically but not exhaustively, AISM S.A. will exclude those companies with severe status controversies related to:

- Predatory Lending;
 - Human rights deficiencies;
 - Racial discrimination and gender discrimination.
- **Governments** are rated by MSCI by screening both policies and the public status with a similar system utilized for private companies, although underlying criteria and factors are different. The rating system has the same range and levels. AISM S.A. will include government ratings in the above- exposed framework, as if they were private issuers.

AISM S.A. may also use other service providers.

SUSTAINABILITY DISCLOSURE

The entire activity of monitoring, due diligence and respect of the sustainability criteria, as described above, is enhanced by a system of alerts and updates delivered by external providers or advisors.

AISM S.A. aims to analyse the updates and take an investment decision within one month from their publication, in order to comply with the above criteria and constraints.

AISM S.A. accesses MSCI data and commits itself to have a source of similar quality from other data providers if MSCI data should cease to be available for any reason.

Voluntary Positive Impact

Previous criteria and limits create a constraining framework for the investable universe, but the fund manager will exercise its discretion in order to align the portfolio with the Sustainable Development Goals listed by the United Nations¹. In particular:

Sustainability Reporting:

With quarterly frequency, AISM S.A. will produce a report where the ESG criteria and profile of the fund will be displayed. In particular, the report will show:

- The weighted average ESG rating of the portfolio;
- The weight of not-covered issuers;
- The weight of lower than BBB issuers;

¹ Sustainable Development Goals listed by the United Nations: No Poverty; Zero Hunger; Good Health and Well-being; Quality Education; Gender Equality; Clean Water and Sanitation; Affordable and Clean Energy; Decent Work and Economic Growth; Industry, Innovation, and Infrastructure; Reducing Inequality; Sustainable Cities and Communities; Responsible Consumption and Production; Climate Action; Life Below Water; Life On Land; Peace, Justice, and Strong Institutions; Partnerships for the Goals.

- The composition of controversies status (weight of green, yellow, orange, red and not covered issuers).

Disclaimer

Socially Responsible Investing is a qualitative and discretionary approach, and it must be considered within a general financial and economic investment process. The Company is committed to respecting the quantitative limits specified in this policy, but the overall approach goes beyond that. AISM S.A. is convinced that it is an enhancement, and it can bring added value to the world and its investors. Besides that, there is no guarantee that the criteria adopted, and opinion expressed by the fund manager will be in line with those of a particular investor. Adopting the ESG criteria is not a guarantee of positive or better performance.

Information is gathered from sources available to investors and third-party reporting and analysis. Accuracy and completeness of data, analysis, and reporting cannot be guaranteed.

Some sustainability and ESG guidelines & methodologies, which AISM S.A. is aligned with, can be found here below, in particular:

- **MSCI ESG Controversies Index:**

<https://www.msci.com/documents/10199/acbe7c8a-a4e4-49de-9cf8-5e957245b86b>

- **MSCI ESG Ratings Methodology:**

<https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf>

- **Business Involvement Screening Research Methodology:**

<https://www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+BISR+Methodology+Overview.pdf/7f1b40fb-b74c-243f-173f-1e610ec0e19c>