Responsible Investment Policy 2024

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Regulatory Background

Mediolanum International Funds Limited ("MIFL" or "the Manager") is authorised and regulated by the Central Bank of Ireland ("Central Bank") as a UCITS management company pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 ("UCITS Regulations") and as an Alternative Investment Fund Manager ("AIFM") pursuant to the European Union ("Alternative Investment Fund Managers") Regulations 2013 ("AIFM Regulations").

Further, MIFL has received an extension to its authorisation by the Central Bank under the UCITS and AIFM Regulations to conduct the regulated activities of Individual Portfolio Management and Investment Advice. MIFL complies with regulatory obligations set out in Directive 2014/65/EU of the European Parliament and Council on markets in financial instruments and supporting legislation and regulations (collectively "MiFID") for these regulated activities.

Under its current authorisation, MIFL performs, inter alia, the following investment services:

- **Investment Management**
  MIFL provides Collective Portfolio Management ("CPM") services to internally managed UCITS funds and AIFs and provides Individual Portfolio Management ("IPM") services to MiFID clients.

- **Investment Advice**
  MIFL acts as an Investment Advisor to MiFID clients.

MIFL operates as part of the Mediolanum Group (the "Group"). The parent company of MIFL, Banca Mediolanum S.p.A., is subject to the requirements of the MiFID Directive as implemented in Italy.

The Sustainable Finance Disclosure Regulation ("SFDR") and Taxonomy Regulation (together "the Regulations") were introduced by the European Commission as part of a package of legislative measures arising from the European Commission's Action Plan on Sustainable Finance. The SFDR aims to reduce the risk of "greenwashing" and bring transparency in relation to (i) sustainability risks, (ii) the consideration of adverse sustainability impacts in investment processes and (iii) the provision of sustainability-related information with respect to financial products. The Regulations impose mandatory environmental, social and governance ("ESG") disclosure obligations on MIFL in respect of the ESG factors (which may include principal adverse impacts) that MIFL considers when providing investment services. Pursuant to the Regulations and relevant sections of the UCITS and AIFM Regulations on investment due diligence requirements, MIFL has put in place a Responsible Investment Policy ("RI Policy" or "the Policy") that outlines:

- Information on how sustainability risk has been integrated into the investment decision making process; and

- Information on how the adverse Impacts of investment decisions on sustainability factors are considered.

- MIFL's investment approach in respect of products that promote environmental and/or social characteristics (Article 8 funds) or have a sustainable investment objective (Article 9 funds).

In addition to SFDR, MIFL may consider other regulatory guidelines, expectations and/or obligations in its approach to responsible investment, for example:

- ESMA Guidelines on funds' names using ESG or sustainability-related terms
- Law no. 220 of 9 December 2021, as amended from time to time

Executive Summary

"We believe that incorporating ESG principles into our investment process can lead to more solid returns by enabling us to identify managers that pursue an ESG agenda as well as high-quality companies".

Central to MIFL's investment process is to analyse each investment's ability to create, sustain and protect value to ensure that it can deliver returns. As an investor, MIFL's responsibilities include protecting the interests of investments from the impacts of financial and non-financial risks.

The basis for our approach to responsible investment is grounded on the United Nations 6 Principles for Responsible Investment (UN PRI) for institutional managers which looks to contribute toward a more sustainable global financial system. The MIFL Responsible Investment (RI) Policy outlines the framework and approach taken by MIFL regarding responsible investment.

MIFL defines responsible investment as "*the integration of sustainability considerations, including environmental, social and governance factors, along with sustainability risk and active ownership practices into the investment management process".*

The primary focus of the RI Policy is **ESG integration and active ownership**. Where appropriate, MIFL seeks to engage and vote with the objective of improving performance in these areas.

MIFL is committed to and supports the objectives of all 17 United Nations (UN) Sustainable Development Goals (SDGs). To help focus our responsible investment ambitions, MIFL decided to prioritise three environmental-oriented SDGs and one social SDG to assess assets under management to seek to improve returns over the long-term: SDG 5 Gender Equality, SDG 7 Affordable & Clean Energy, SDG 12 Responsible Consumption and Production and SDG 13 Climate Action.

To measure and monitor MIFL's impact on these four SDGs at an entity level, MIFL selected six Principal Adverse Impact (PAI) indicators aligned to these SDGs.

Through regular and active monitoring of the six chosen PAI indicators aligned to our prioritised 4 SDGs, we hope to bring transparency to MIFL's process. We seek to affect change through our stewardship activities. MIFL looks to engage indirectly through the external managers of mandates or directly through engagement via our Single Securities Team, to affect improvement over time across the PAI and in turn the prioritised SDGs. MIFL's Proxy Voting Policy is also aligned to our prioritised SDGs.

Considering PAIs as part of the investment process should help to mitigate the negative impact of investment decisions on sustainability factors. These impacts can occur, for example, in environmental, social and employee matters, human rights, corruption and bribery matters.

While investing in third-party funds and mandates is the core of MIFL's business, the policy also considers the continued growing importance of in-house direct management of equity and fixed income assets.

This document outlines how ESG is considered across each step of the investment process across the Multi-Management Investment team and the Single Securities Investment teams.

The continued commitment to ESG integration and growing data supporting effective implementation means the MIFL's ESG approach will continue to evolve.

Roles and Responsibilities

Figure 1: MIFL Team ESG Roles

Role	Responsibility
ESG Team	Owner of the RI Policy
Investment Committee	Sign-off of the RI Policy
Multi-Management Team	Implementation of the RI Policy
Single Securities Team	Implementation of the RI Policy
Compliance	Assist with interpretation, implementation and compliance with sustainable regulation Implement second line defence Trade Compliance Monitoring for ESG binding restrictions for Article 8 and 9 Funds
Risk	Second line defence support in monitoring and assessing sustainability risks
Internal Audit	Periodic internal audit reviews of the Responsible Investment Framework
Board of Directors	Review and approval of the RI Policy at least annually

Section 1: MIFL and Responsible Investment

1.1 Responsible Investment Beliefs

MIFL defines responsible investment as "*the integration of sustainability considerations, including environmental, social and governance factors, along with sustainability risk and active ownership practices into the investment management process".*

This can impact financial performance while also providing a broader perspective on risk and return opportunities. Through measurement and monitoring of selected PAIs, the investment team aims to affect improvement on MIFL's prioritised SDGs, which in turn should improve the ESG ratings of our funds.

Given the considerable weight of assets under management (AUM) which are outsourced through external delegate managers or invested in target funds, as well as direct investment in securities, MIFL can push forward the ESG and sustainable investment agenda across the broader industry.

A responsible investment approach is more likely to create and preserve investment capital when the investment process includes:

- A range of ESG factors, which can have a material impact on long-term risk and return outcomes but may not be captured in a company's financial accounts.
- PAI indicators, which can provide insight into the negative impacts of investment decisions at a product level, on environmental and social factors over time.
- Stewardship/active ownership via voting and engagement. These can enhance the value of companies, encourage good corporate behaviour and helps the realisation of long-term shareholder value.

Integrating a responsible investment approach is more likely to be achieved where beliefs are incorporated, including:

- Stakeholder interests are important and investment decisions may need to be aligned with those interests.
- Taking a medium-to-long-term approach can add value to return's streams rather than focusing on short-term price movements.
- Being transparent is beneficial to stakeholders and the broader market.

1.2 MIFL’s Sustainable Development Goals

The UN SDGs are a collection of 17 interlinked global goals designed to be *a "blueprint to achieve a better and more sustainable future for all"*. The SDGs were set forward in 2015 by UN General Assembly with a target date of 2030.

Mapping investment portfolios to the UN SDGs is a common starting point for asset managers and owners seeking to make positive contributions or assess negative contributions, to the UN’s 17 broad objectives. MIFL has prioritised three environmental-oriented SDGs and one social SDG to assess its assets under management with the aim of seeking improvement in the long term.

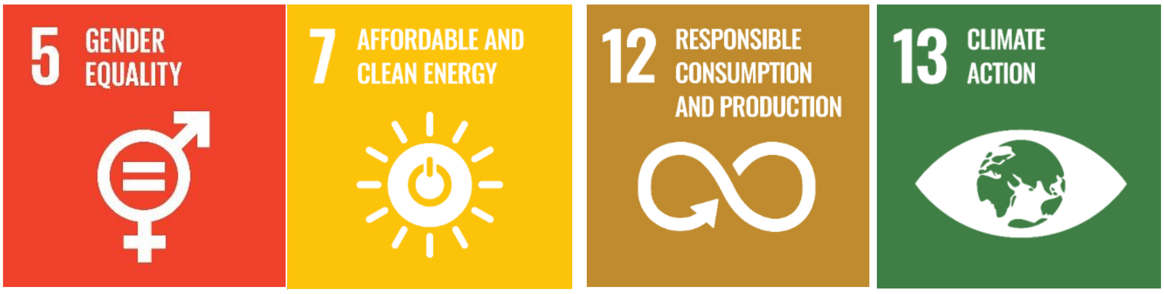
MIFL decided to focus on these four SDGs because:

1. Climate change is a global risk that requires immediate action.

2. Climate change is central to EU legislative efforts.

3. MIFL supports the view of the UN that gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous, and sustainable world.

Figure 2: MIFL’s prioritised SDGs



Source: sdgs.un.org/goals

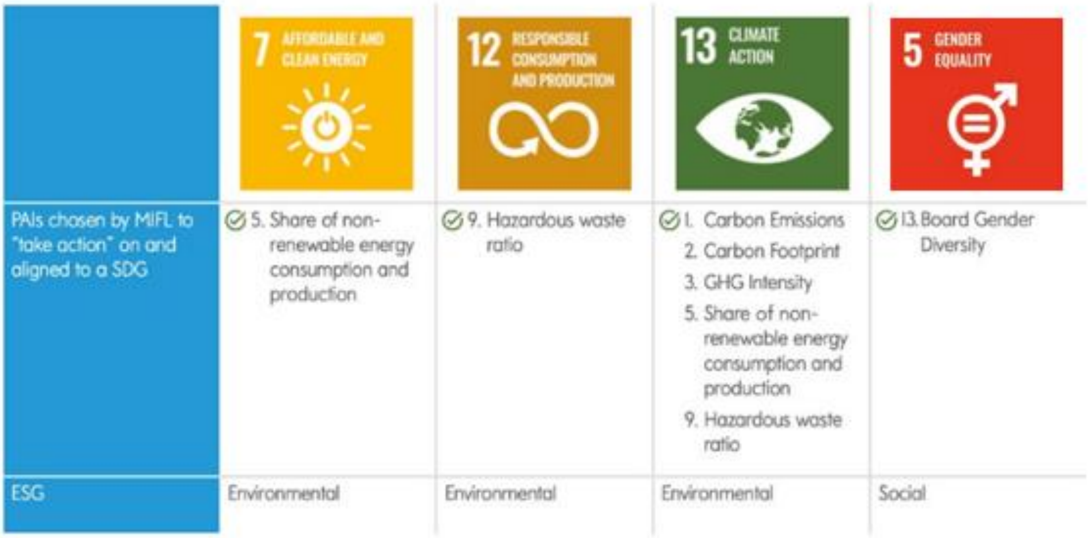
1.2.1 Measuring Impact on the SDGs

MIFL uses the Principal Adverse Impact (PAI) indicators to measure its impact on the prioritised SDGs. The PAI can be defined as:

"*Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity."*

In other words, nearly all types of economic activity have the potential to impact various sustainability indicators, both positively and negatively.

Figure 3. MIFL 's prioritized SDGs and PAIs



	7 AFFORDABLE AND CLEAN ENERGY	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	5 GENDER EQUALITY
PAIs chosen by MIFL to "take action" on and aligned to a SDG	5. Share of non-renewable energy consumption and production	9. Hazardous waste ratio	1. Carbon Emissions 2. Carbon Footprint 3. GHG Intensity 5. Share of non-renewable energy consumption and production 9. Hazardous waste ratio	13. Board Gender Diversity
ESG	Environmental	Environmental	Environmental	Social

Through regular and active monitoring of the six chosen PAI indicators aligned to our prioritised 4 SDGs, we hope to bring transparency to MIFL's process. We seek to affect change through our stewardship activities. MIFL looks to engage indirectly through the external managers of mandates or directly through engagement via our Single Securities Team, to affect improvement over time across the PAI and in turn the prioritised SDGs. MIFL's Proxy Voting Policy is also aligned to our prioritised SDGs. For more detail, see the investment process and proxy voting sections below.

1.3 Carbon Metric Monitoring

MIFL has been monitoring climate related indictors since December 2021, including the carbon related PAI indicators and MSCI Climate VaR metric to assess MIFL's assets under management.

As part of Mediolanum Group 's 2024 – 2026 Strategic Plan initiative, MIFL decided to take additional steps to address climate change and carbon emissions. From 1st January 2024, MIFL started to monitor four additional carbon related indicators: Weighted Average Carbon Intensity (WACI), Implied Temperature Rise (ITR), Companies with approved SBTi targets and Low Carbon Transition Score. These four metrics are measured using MSCI One[1]. MIFL continues the discussion along with the wider Mediolanum Group, to formalise a plan on how best to implement actions leveraging this data.

An outline of these metrics is provided below:

Weighted Average Carbon Intensity (WACI) expresses a portfolio's exposure to carbon-intensive companies in tons of CO2 emissions per million euro (CO2e/€M).

Implied Temperature Rise (ITR) is a forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals.

Companies with SBTi approved targets (SBTi) is a leading global initiative to promote science-based climate target-setting and may be a common reference point for investors focused on climate targets that are aligned with the goals of the Paris Agreement.

Low Carbon Transition Score is a framework that measures the degree to which a company's projected greenhouse gas emissions differ from a net-zero pathway between now and the year 2050.

1.4 Ongoing Monitoring of PAIs under the SFDR – Annex I & PAI Statement

MIFL aims to mitigate the negative impacts of its investment decisions on sustainability factors by considering PAIs as part of the investment process.

MIFL considers sixteen mandatory PAI indicators from Table 1 of the Annex I under the SFDR against which investment portfolios are measured, as well as two additional indicators: the first additional voluntary indicator, which has an environmental focus, measures the share of investment in companies without carbon emission reductions (Table 2, indicator 4); the second additional indicator, which has a social focus, concerns the share of investments in companies that lack a human rights policy (Table 3, indicator 9).

Monitoring and evaluating this range of PAIs assists in managing the risks connected to potential adverse sustainability impacts from investments. Consideration of PAI indicators is applied across asset classes and to all mandates, not just those labelled sustainable investments. This data is used to complete the Annex I template under the SFDR which is included in the PAI statement. For more detail, a copy of the PAI statement can be accessed on MIFL's website: https://www.mifl.ie/sustainability

[1] Previously known as MSCI ESG Manager

1.4.1 Data Sources and Challenges

As it relates to PAIs and the reporting obligations, MIFL's Investments Oversight and Portfolio Analytics (IOPA) team, working with the Banca Mediolanum Markets and Insurance Assets Unit, use the MSCI One tool to populate the data and to generate reports.

Also, MIFL uses the Fastnet tool as it provides MSCI's One data (ESG, SDG and PAI scores) across all MIFL funds in an intuitive and practical way. By using the tool, the aim is to identify those holdings driving a negative impact across the monitored PAI and SDGs, allowing more actionable engagement points with underlying managers or companies. The tool helps inform the user on what is driving change. For example, is the change a result of the portfolio manager decision making or due to improvements in the underlying holdings.

It is important to note that although ESG data has improved significantly in past recent years, there are still a lot of challenges associated with this, such as data coverage or consistency of data across ESG data providers.

1.5 Exclusion Policy

Since December 2021, legislation aimed at countering the financing of companies involved in anti-personnel mines and cluster munitions was passed into law in Italy. As Italy is a key market for MIFL, and as MIFL is also part of the Mediolanum Group whole parent company is based in Italy, we have implemented an exclusions policy that applies to both direct investments and delegated managers. For full information refer to MIFL's Controversial Weapons Policy and Controversial Weapons Procedure.

Section 2: ESG Integration

2.1 Multi-Management ESG Framework

MIFL believes that ESG risks and opportunities should be assessed by target funds and delegate managers in stock selection and portfolio construction.

MIFL aims to enhance the analysis within the investment process through the integration of ESG factors when selecting managers and building multi-management funds, which can help deliver better risk-adjusted and more sustainable returns over the long term.

There are a number of tools in place to monitor and assess ESG. The approach needs to be flexible to account for a very wide range of strategies across equities and fixed income markets. However, the principles and the focus remain consistent.

2.1.1 MIFL's Proprietary ESG Score

In addition to the standard investment considerations, the ESG team examines the manager's approach to ESG. Both aspects are interlinked. That is MIFL believes that firms that operate with a strong ESG framework are less likely to face regulatory problems; are less risky from an operational perspective; display enhanced transparency; and deliver long-term sustainable products by minimising risks of environmental and social liabilities. That is why, MIFL maintains a MIFL ESG Score for all funds on its Buy List. The scores range from 1 (Laggard) to 5 (Leader). This includes funds classified as Article 6, 8 & 9 under the SFDR.

Both quantitative and qualitative inputs are used to produce this score and to assess a manager's capabilities and commitment to ESG, relating to the three pillars of Parent, Process and Portfolio. All Managers are asked to complete an ESG Questionnaire, containing circa 60 detailed questions on sustainability and ESG. This Questionnaire is then used to complete the qualitative Parent and Portfolio assessment. The Parent pillar relates to the 'parent' company and Process involves an assessment of the investment process and team behind the strategy. The Portfolio pillar is the quantitative assessment of the rating that leverages ratings from the MSCI One tool.

2.1.2 Framework for MIFL's Sustainable Investment Funds

MIFL's current range of Sustainable Investments are managed by the Multi-Management team. MIFL believes there are benefits in adopting a multi-manager approach, whereby Article 8 and 9 funds' assets may be allocated across one or more third-party asset management group that are considered by MIFL to be leading managers in ESG/ sustainable investing[4]. The Single Securities Team does not manage any Article 8 or 9 funds currently.

2.1.2.1 Framework for Manager Selection for inclusion in MIFL Sustainable Investment Multi-Management Funds

There are two thresholds for the selection of strategies for inclusion in MIFL's Article 8 and Article 9 funds: internal assessment and external assessment.

<u>Article 8</u>

[4] The exact expertise being sought will depend on the ESG/sustainability investment goal or objective of the MIFL Fund in question

Internal Assessment:

Each underlying fund/mandate must have a minimum MIFL ESG Score of 3, based on MIFL's proprietary ESG Score framework.

External Assessment:

Underlying funds and strategies: 100% of the MIFL Article 8 portfolios must be allocated to mandates/ funds that meet the Article 8 or Article 9 classifications under the SFDR.

Article 9

Internal Assessment:

Each underlying fund/mandate must have a minimum MIFL ESG Score of 3, based on MIFL proprietary ESG Score framework.

External Assessment:

Underlying funds and strategies: 100% of the MIFL Article 9 portfolios must be allocated to mandates/ funds that are subject to Article 9 of the SFDR.

2.1.2.2 Additional considerations of funds/ mandates for inclusion in MIFL Sustainable Investments

Even if the minimum criteria have been met, before selecting a fund/mandate for inclusion in a MIFL Article 8 or 9 strategy, MIFL must also gather information on the sustainable investments' approach taken by the manager in line with Article 8 and 9 disclosure requirements contained in the SFDR. The type of information that MIFL will request from the third-party manager includes but is not limited to:

- ESG/sustainability themes promoted
- ESG/ sustainability investment approach, including definition of sustainable investments in accordance with art. 2 (17) SFDR
- ESG investment strategy and binding elements
- Target asset allocation (sustainable investments, taxonomy aligned investments; investments used to attain environmental and/or sustainability promotion and other)
- Use of sustainability indicators, including PAIs, where relevant; and
- A policy of monitoring governance breaches of international norms.

MIFL will only appoint third-party managers to the Article 8 or Article 9 Fund if it is satisfied with the information provided with regards to the sustainable investments' approach and that the objectives are in line with those of the overall portfolio's ESG or sustainable investment objectives.

2.1.2.3 Framework for Portfolio Construction of MIFL Sustainable Investment Multi-Management Funds

Based on a review of the information received from the selected managers, and with consideration of the overall sustainability objective/environmental or social promotion, MIFL will then finalise the approach to be taken at the level of the Fund with regards to:

- Target asset allocation and any commitments (sustainable investments, taxonomy aligned Investments, investments used to attain environmental and/or sustainable promotion and others)
- Other than the minimum criteria referred to in point 1 or any other binding elements to the strategy
- Use of derivatives
- In constructing the portfolio we are aligning the investments to outperform the stated investment objective and environmental or social one through the use of sustainability indicators, including PAI; and
- A policy of monitoring governance breaches of international norms.

2.1.2.4 Derivative Usage in MIFL Article 9 funds

Use Notional exposure but remove ineligible assets from the calculation:

When using derivatives, the determination of sustainability will be dependent on the underlying instruments that the derivative is based on.

If it is not possible to assess the underlying instrument (example: FX, interest rate swaps, inflation swaps) the derivatives will not be included in the calculation of sustainable investments.

If it is possible to assess the underlying instrument and it is assessed as non-sustainable (example: CDX and futures), they will be included in the calculation of sustainable investments as non-sustainable.

Following an assessment of the approach of peers on the use of derivatives, MIFL has set a maximum allowable threshold for non-sustainable investments at 20%, consisting of cash and derivatives only. The underlying investments will remain 100% sustainable.

The advantage of our proposed method is that there is transparency in the calculation, while allowing flexibility to manage the clients' assets. While the analysis was undertaken with a view of creating flexibility for the new Fixed Income portfolio, the same flexibility can be offered to the Equity funds. This will allow the portfolio managers the ability to reduce or add risk when appropriate.

2.1.2.5 Monitoring Framework of MIFL Sustainable Investment Funds

MIFL continuously monitors the implementation and attainment of the ESG goal/ sustainable investment objective of its sustainable investment funds.

To do this, MIFL will:

1. Leverage delegate managers and target funds reporting that will demonstrate how the individual fund/ mandate is attainting its specific ESG goal/ sustainable investment objective
2. Monitor at the level of the sub-fund using a variety of PAI and ESG metrics
3. Monitor the Quarterly PAI reports for MIFL Sustainable Investments produced by the IOPA Team to monitor each strategy across its stated ESG/ sustainability objectives in respect of its Article 8 or Article 9 designation.

MIFL follows up with the underlying managers where necessary based on the above e.g., poorly performing PAI/ ESG metric at the level of the fund that can be linked back to the fund/mandate in question.

In addition, MIFL also requests:

- That the Investment Guidelines for all managers of mandates included in MFIL Sustainable Investments include an outline of the above for the manager to sign, attesting that they will meet these criteria
- That the managers of mandates included in MIFL Sustainable Investments provide the ESG team with an updated spreadsheet quarterly, of their monitoring of their chosen sustainability indicators for all securities held in the strategy they manage, to demonstrate their suitability for inclusion in the strategy and how they are achieving the ESG characteristic promotion or sustainable investment objective of that strategy.
- For all underlying managers held in MIFL Article 8 or 9 funds to complete the relevant ESG Questionnaire annually to allow MIFL complete the 3Ps annually to demonstrate that a strategy continues to meet MIFL's required threshold of a rating of 3 or higher in its proprietary ESG rating.
- Finally, analysts will engage all the underlying managers for MIFL Sustainable Investment at least once annually.

2.1.2.6 Annual Account: Periodic Disclosures

Specific disclosures must now also be included in the Annual Reports for all MIFL Sustainable Investments. The SFDR sets out specific templates (Annexes IV and V) that must be completed for each Article 8 and 9 fund respectively, which is linked to the information set out in the prospectus in the pre-disclosure Annexes (Annexes II & III). These are detailed disclosures and must be made using the mandatory templates as set out in the SFDR RTS, which should be included as annexes to prospectuses and annual reports and area available on the MIFL website.

2.1.2.7 Quarterly PAI Reports

To monitor MIFL's Sustainable Investments, those classified as Article 8 or Article 9 under the SFDR, MIFL has chosen bespoke PAIs for each fund that it believes are aligned with the environmental and/ or social characteristic promotion or the sustainable investment objectives of each fund. This approach was designed to satisfy MIFL that each sustainable investment is progressing in regard to its ESG or Sustainable Investment objective, in addition to the due diligence monitoring of the underlying strategies, outlined above in 2.1.2.5.

More detailed descriptions of the PAI selected for each fund are available in the SFDR annex disclosure documents including the pre-disclosure annexes included in the MIFL prospectus or the periodic disclosure annexes published with the Annual Accounts. Both documents are available on the MIFL website.

As part of the ongoing review of Article 8 and Article 9 designated managers, the ESG team has developed a template that incorporates both quantitative ESG metrics from MSCI and a qualitative ESG review carried out by the ESG team and the portfolio manager responsible for the strategy.

The purpose of the template is to combine the qualitative and quantitative evidence on how each strategy performs across its stated ESG/ sustainability objectives in respect of its Article

8 or Article 9 designation. It also identifies ESG areas for improvement and monitoring that the team will engage with the respective manager during ongoing periodic calls.[5]

These Quarterly Reports are shared with the MIFL Board of Directors for review.

[5] MIFL's quarterly PAI reports are tailored to monitor the promotion of ESG characteristics or the sustainable investment objectives of the MIFL Sustainable Investments. In line with the fund classification outlined in the SFDR, MIFL takes into account PAI indicators per strategy. The prioritisation of PAIs for the different investment strategies follow the ESG priorities and sustainable objectives of the funds. More detailed descriptions of the prioritisation of these PAIs are available in the pre-disclosure Annexes included in the prospectus and in the periodic disclosures that form part of the annual accounts

Figure 4: Example of a Quarterly PAI Report

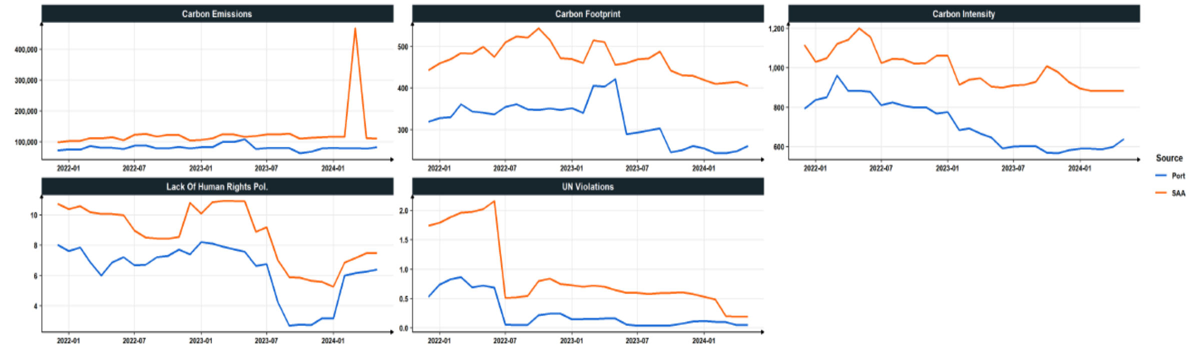
Quarterly PAI Monitoring

As of May-2024

BB_MITO BB_IPCT BB_CIRCO BB_SRC BB_CARSS BB_INVBRC BB_ENET BB_MAESG BB_FSN COMPR Appendix

MBB SOCIALLY RESPONSIBLE COLLECTION Article-8

SAA Definition : 80% MSCI AC World, 15% ICE BofAML 1-3 Year European Union Government Bond, 5% ICE BofAML Euro Treasury Bill



What environmental and/or social characteristics are promoted by this fund?

The Manager or third-party asset manager(s) appointed by the Manager to directly manage all or part of the Sub-Fund's assets will ensure that investments made gain exposure to companies with management strategies which take into account their responsibility towards society and sustainable development and which, in addition to economic and financial objectives, most successfully integrate environmental, social and governance ("ESG") factors into their management strategies.] The Sub-Fund does not use a specific index designated as a reference benchmark for the purpose of attaining the characteristics being promoted. Portfolio construction follows a benchmark agnostic approach which will seek adequate diversification across opportunities and individual securities. The Sustainable Investment portion of the fund will invest in companies that contribute to climate change mitigation and climate change adaptation.

Areas of monitoring and engagement

The MBB Socially Responsible Collection has historically demonstrated better performance than the SAA. This trend has continued during the past quarter. Carbon Emissions remained stable, while Carbon Footprint and Carbon Intensity increased slightly in the past three months. The main driver for the increase in Carbon Footprint was the added exposure to Xinyi Solar (Chinese company that produces and sells solar glass products) and Micro-Star International (Taiwanese company that develops computer hardware) within the Robeco Emerging Markets Fund. The increase in Carbon Intensity was due to changes in metric calculation and metric coverage by MSCI. Lack of Human Rights Pol. outperformed the SAA but saw an increase during the quarter, mainly due to metric calculation changes by MSCI. UN Violations remained stable and close to zero for the period.

2.1.3 Engagement with Laggards and Below Average Scoring Managers

MIFL has chosen a sample of managers for enhanced engagement with the aim of improving their responsible investment credentials over time. The sample of managers is based on the MIFL proprietary ESG rating and includes those managers that attain a rank of either 1 Laggard or 2 Below Average. Typically, this selection of managers will be representative of the Buy List and will blend managers with different characteristics, operating in different ESG regulatory environments and specialising in different asset classes. This is done to target and gain exposure to a wide range of ESG challenges.

MIFL selects critical key certain issues (typically 4-5) on which the engagement will focus. The goal of the engagement is to see positive change made on those issues that will ultimately support the ESG agenda at the firm and product levels.

The enhanced engagement process will be carried out over a three-year period with up to two engagements per year. Given the change and regulatory updates in ESG area, it is hard to predict progress that will be made by managers in the future. However, after three years (approximately 6 engagement events), the manager will be reassessed and a decision will be made whether to graduate, continue the engagement or to sell.

2.2 Single Securities ESG Framework

MIFL's Single Securities Team does not manage any Sustainable Investments strategy. However, the team integrates ESG into the management of its portfolios, engages with investee companies and is participant in MIFL's proxy voting[6]. Furthermore, the portfolios managed by the team adhere to the firm's Controversial Weapons Policy[7]

The Single Securities ESG framework, similar to MIFL's multi-management approach, prioritises SDGs 5, 7, 12 and 13 and the six key PAIs associated with those. This framework guides the ESG team efforts and reflects MIFL's commitment to climate change, clean energy and gender equality.

2.2.1 ESG Integration

MIFL's Single Securities team is structured around three sub-asset classes: Fundamental Equities, Quantitative Equities and Fixed Income. Although the three teams follow the firm's overall responsible investment framework of active ownership and risk management, ESG integration for each sub-asset class is outlined below reflecting the idiosyncrasies of each asset class.

2.2.1.1 Fundamental Equities

The identification of sustainability themes and the subsequent detection of companies with exposure to these themes can help to provide a competitive edge. These themes may include structural growth areas, including renewable energy production, decarbonisation of industrial processes, sustainable agriculture and food production, resource conservation and the circular economy.

Understanding companies' exposure to these areas can help to uncover sustainable competitive advantages, which may lead to increased market share or superior profitability in one of these industries. MSCI One, sell-side research, company reports, and information garnered from company engagement can assist in this.

Assessing companies' exposure to industry specific ESG risks, which are non-financial business risks, helps to identify business or operational risks which may not be apparent through traditional fundamental analysis. A focus on non-financial risk provides an edge to our fundamental research.

ESG research findings are stored in MIFL's proprietary research template so that they can be easily shared across the team.

2.2.1.2 Quantitative Equities

The team monitors MIFL's prioritised PAIs with the goal of achieving long-term progress on chosen SDGs 5, 7, 12 and 13 corresponding to Gender Equality, Affordable and Clean Energy, Climate Action and Responsible Consumption and Production.

The team has access to MSCI One for underlying PAI data. These metrics can be tracked alongside the team's factor models for a universe of over 8,000 companies. This exercise helps in the identification of global leaders and laggards in countries and sectors from a PAI point of view.

PAI data is updated daily and can be assessed at a single security level or an aggregated portfolio level. Data can also be passed into the team's optimisation process which can be used to directly assess the impact of portfolio rebalances.

[6] Refer to section 3
[7] Refer to section 1.5

2.2.1.3 Fixed Income

The FI team considers ESG the context of the overall portfolio positioning. In line with the MIFL RI policy, the team incorporates PAI considerations into the investment process through a combination of ESG integration and engagement.

The team monitors the PAI metrics of the funds on a regular basis, including the metrics in the monthly Sub-Investment Group meeting. The team monitors the PAI levels at a fund level and intra-fund basis, by examining the biggest drivers of the metrics at a sector and security level.

This data helps with the decision-making process in identifying bonds aligned with MIFL's prioritised PAIs. The funds' PAI exposures are measured at least monthly.

Portfolio managers consider ESG and PAI metrics along with other investment, technical, fundamental and valuation factors, in the management of their portfolios. The metrics are a valuable source of information from a risk point of view.

2.2.2 Engagement with Investee Companies

MIFL uses engagement as a tool to encourage companies to better manage salient ESG risks and to improve transparency levels.

Starting in 2024, MIFL partnered with Glass Lewis' Stewardship Team to expand its engagement program. Working collaboratively with Glass Lewis, MIFL created a selection framework. A total of 50 engagement targets were selected in two stages. During the screening and filtering process the 30 worst performing companies were selected first. Then through an iterative calibration process 20 more companies from within the worst 5% performers were strategically selected to balance engagement across PAIs, industries and territories, while ensuring representation across Mediolanum's portfolios.

After the engagement target list is created, individual profiles for each company are created. These reports contain detailed information about companies' sustainability characteristics and underlying metrics to guide and maximize the engagement dialog.

Progress on engagement for each target company is tracked and documented on a web-based platform. On an annual basis, progression against targets will be assessed and adjustments will be made.

Currently, the number of companies targeted for engagement within the different sub-asset classes are as follows:

Fundamental Equities	23 companies
Quantitative Equities	43 companies
Fixed Income	16 companies

Section 3: Proxy Voting Policy

MIFL has a strong commitment to stewardship, also referred as active ownership. MIFL's policy is to vote on all securities that is entitled to on behalf of clients. MIFL believes stewardship helps to realise long-term shareholder value by providing investors with an opportunity to enhance the value of companies that are more consistent with long-term investor timeframes. For example, voting on resolutions at company's annual general meetings (AGMs) and meeting with company management on particular issues are important aspects of ESG policy.

In order to have a more holistic and considered approach to ESG, there are a number of different ways to achieve an effective policy as it relates to proxy voting and engagement. MIFL is looking to enhance its approach, which will vary depending on the type of investment:

- **Target funds:** Where a fund is regulated, MIFL seeks voting and engagement policies and reports on the activity that has taken place in the fund. At the initial stages, the focus is on our larger, Target equity fund investments. This practice forms part of MIFL's engagement questionnaire, which is sent yearly to all strategies. Additionally, on the yearly ESG engagement call updates with managers, this and other key ESG topics are typically discussed.
- **Delegate equity mandates/directly managed equities:** While voting sits with MIFL, Glass Lewis has been engaged as a proxy voting service provider. It provides voting recommendations based on a pre-agreed set of principles. MIFL has customised this policy in line with our prioritised SDGs (5, 7, 12 & 13). Those principles are formulated to align MIFL's corporate governance philosophies and investment objectives with proxy voting activities. MIFL maintains its own Proxy Voting Policy for mandates and directly managed strategies. Over time, this policy will assist in improving the environmental profile of portfolios.

The proxy voting policy promotes best practice with respect to a company's climate-related initiatives and policies. The policy makes voting decisions that promote a transition to a low-carbon future and also make financial sense by considering a company's size, sector, and exposure to material environmental risk. This is guided by the Task Force on Climate-related Financial Disclosures, which is based on four pillars: governance, strategy, risk management, and metrics and targets.

The policy also recommends voting against male members of the nominating committee when small-cap companies do not have at least one woman on the board and when large and mid-cap companies have less than 30% female representation on the board of directors. These are in line with our prioritisation of SDG 5.

The policy is also customised to vote against the members of the nominating and governance committee when a company that is a constituent of the Russell 1000 receives a poor score in Glass Lewis' Diversity Disclosure Assessment.

The Diversity Disclosure Assessment is an analysis of companies' proxy statement disclosures relating to board diversity, skills and the director nomination process. This assessment reflects how a company's proxy statement presents:

(i) The board's current percentage of racial/ethnic diversity.
(ii) Whether the board's definition of diversity explicitly includes gender and/or race/ethnicity.

(iii) Whether the company has adopted a policy requiring women and minorities to be included in the initial pool of candidates when selecting new director nominees ("Rooney Rule").

(iv) Board skills disclosure.

The MIFL custom voting policy also integrates additional elements concerning governance and sustainability principles to reflect best governance practices.

Figure 5: Overview of MIFL's engagement and voting policy

Vehicle	MIFL Voting	MIFL Engagement
Target Funds	No Voting is per the specific asset manager policy	Yes MIFL ESG Questionnaire and ongoing manager meetings
Delegates	Yes Outsourced to Glass Lewis for the majority of funds, a few exceptions such as Impact and Italian equities	Yes Even though, MIFL exercises voting, it will still engage with managers as to their overall parent level approach on ESG ESG Questionnaire and ongoing manager meetings

Section 4: UN PRI

On February 17, 2023, MIFL became a signatory to the UN PRI, joining more than 5000 other organisations around the world that publicly demonstrate commitment to responsible investment. The guiding principles of the PRI code are:

1) We will incorporate ESG issues into investment analysis and decision-making processes.
2) We will be active owners and incorporate ESG issues into our ownership policies and practices.
3) We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4) We will promote acceptance and implementation of the principles within the investment industry.
5) We will work together to enhance our effectiveness in implementing the principles.
6) We will each report on our activities and progress towards implementing the principles.

Appendix

MIFL Multi-Management Team
ESG Summary Table

	All funds*	Article 8 and Article 9 funds**
MIFL ESG Score	✓	✓
Annual assessment of MIFL Sustainable Investments to ensure a minimum MIFL ESC Score of 3 – including initial due diligence and assessment of sustainable investment approach of underlying manager(s)		✓
MIFL ESG Engagement Questionnaires sent to managers	✓	✓
Monthly monitoring of MSCI One score on Buy List	✓	✓
PAI: Quarterly monitoring report at entity level	✓	✓
PAIs: Annual engagement with managers regarding PAI scoring	✓	✓
Twice a year enhanced engagement with targeted (poor MIFL ESG Score) managers	✓	✓
Ad-hoc engagement with managers regarding key topics (controversial stock in portfolio, firm news item, etc.)	✓	✓
Annual review to make sure that MIFL criteria is holding		✓
Monitoring of MIFL Sustainable Investments: Quarterly PAI Report		✓
Sustainability indicators disclosure. MIFL will comply with the periodic annual disclosure requirements under the SFDR through the publishing of the Annexes IV & V with MIFL's annual accounts		✓

* This applies to all third-party manager funds and mandates
** This applies to all third-party manager funds and mandates classified as Article 8 or Article 9 and included within MIFL Article 8 or Article 9 Funds

Disclaimer

Data is as of [Date] unless otherwise stated. Source: Mediolanum International Funds Limited ("MIFL").

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