mediolanum
INTERNATIONAL FUNDS

Responsible Investment Policy

October 2023

Contents

Regulatory Background

Mediolanum International Funds Limited ("MIFL" or "the Manager") is authorised by the Central Bank of Ireland as a UCITS Fund Management Company pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (S.I. No. 352 of 2011) as amended ("UCITS Regulations") and an Alternative Investment Fund Manager pursuant to the European Union (Alternative Investment Fund Managers) Regulations, 2013 (S.I. No. 257 of 2013) as amended ("AIFM Regulations"). Under its current authorisation, MIFL performs the following roles:

- As Investment Manager to a number of internally managed UCITS and AIFs under its Collectives Portfolio Management (CPM) licence under UCITS and AIFMD;
- As Investment Manager to a number of other clients under its add-on MiFID II permission of Individual Portfolio Management (IPM); and
- As Investment Advisor to a number of clients under its add-on MiFID II permission of Investment Advice.

MIFL, as an Investment Advisor considers ESG factors (which may include principal adverse impacts) when providing advice where relevant to the investment strategy and investment objectives of its clients. Under the Sustainable Financial Disclosure Regulation (the "SFDR"), and relevant sections of the UCITS and AIFM Regulation on investment due diligence requirements, MIFL is required to put in place a 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.

This Responsible Investment Policy (the "RI Policy") has been put in place to address the above regulatory requirements and outlines the approach taken with regards to responsible investment in MIFL's investment decision making process.

The SFDR also introduces additional disclosure requirements for funds that promote environmental and/or social characteristics (Article 8 funds) or have a sustainable investment objective (Article 9 funds). This Policy outlines the approach MIFL has taken regarding Article 8 and 9 funds.

“We believe that incorporating ESG principles into our investment process can lead to more sustainable returns by enabling us to identify managers that pursue an ESG agenda or high-quality companies”.

Executive Summary

Central to MIFL's investment process is to analyse each investment's ability to create, sustain and protect value and deliver returns over the long term.

The basis for the 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 corporate governance (ESG) factors, sustainability risk and active ownership, i.e. seeking to drive change through engagement and proxy voting in investee companies, into the investment decision-making process.

The primary focus of the RI Policy is ESG integration and active ownership. Where appropriate, it also aims to engage and vote with the objective of improving performance in these areas. As an investor, MIFL's responsibilities include protecting the interests of investments from the impacts of financial and non-financial risks.

MIFL is committed to and supports the objectives of all 17 United Nations Sustainable Development Goals (SDGs). In 2020, to help focus our responsible investment ambitions, MIFL decided to prioritise three environmental-oriented SDGs to assess assets under management to seek to improve returns over the long-term: SDG 7 - Affordable & Clean Energy, SDG 12 - Responsible Consumption and Production and SDG 13 - Climate Action.

In 2022, to measure and monitor MIFL's impact on these three SDGs at an entity level, MIFL selected five Principal Adverse Impact (PAI) indicators aligned to these SDGs.

MIFL, along with the wider Mediolanum Group chose a sixth PAI indicator, Board Gender Diversity as an important area where it aims to deliver change.

Equality in the workplace is considered a basic human right. One of the underlying targets of SDG 5, is to "ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life".

MIFL believes that the integration of equality, human rights, gender, and social determinants are vital in upholding the ideals at the heart of the SDGs, that seek to empower women and men, reduce inequalities between and among populations and promote human rights. Therefore in 2023 SDG 5 was formally incorporated into the RI Policy as a priority alongside SDGs 7, 12, and 13.

Through regular and active monitoring of these six PAI indicators, MIFL looks to engage indirectly through the external managers of mandates or directly through engagement via our Single Securities Teams, to affect improvement over time. The use of PAI indicators will bring transparency to MIFL's process.

Considering PAIs as part of the investment process should mitigate the negative impact of investment decisions on sustainability factors. These impacts can occur in, for example, 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 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.

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

Roles and Responsibilities

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
Fund of Securities Team	• Implementation of the RI Policy
Compliance	• Assist with interpretation, implementation and compliance with sustainable regulation • Implement 2LD Trade Compliance Monitoring for ESG binding restrictions for Article 8 and 9 Funds
Risk	• 2LOD Support in monitoring and assessing sustainability risks
Internal Audit	• Periodic internal audit reviews of the Responsible Investment Framework
Board of Directors	• Approval of the RI Policy and Med[3] on a periodic basis

Figure 1: MIFLs Role and Responsibilities

Section 1: MIFL and Responsible Investment

Section 1: MIFL and Responsible Investment

1.1 Responsible investment beliefs

MIFL defines responsible investment as "the integration of sustainability considerations, including environmental, ESG 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 with a focus on prioritising MIFL's chosen SDGs, which in turn will improve ESG ratings.

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

A sustainable 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 sustainable 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.

MIFL's ESG philosophy, when actioned, will help to improve the world:

- Leveraging the significant weight of AUM to drive the sustainable investment agenda.
- Reduced carbon emissions and better waste management mean less pollution and a healthier environment.
- Affordable and clean energy will improve the well-being of the poorest in society while better labour standards and awareness of human rights will benefit employees, customers and the supply chain alike.
- Improved controls at a governance level helps instil confidence in management and avoids the costs associated with corruption and litigation.
- Promoting gender equality in the workplace contributes towards a peaceful, prosperous, and sustainable world.

From a long-term investment perspective, allocating to pure-play sustainability themes and trends, where appropriate, can provide access to positive solutions given the increasing challenges posed by:

- Population growth, consumption patterns and natural resource constraints.
- Climate change, which, due to potential physical impacts and the associated transition to a low-carbon economy, poses a systemic risk.

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 these UN's 17 broad objectives. In 2020, MIFL decided to prioritise three environmental-oriented SDGs to assess its assets under management with the aim of seeking improvement in the long term.

In 2022, MIFL along with the wider Mediolanum Group, decided to include an additional focus on PAI 13, Board Gender Diversity. In MIFL's 2023 RI policy, MIFL's engagement efforts on PAI 13 will be formally recognised as contributing to SDG 5 - Gender Equality.

MIFL decided to focus on these four SDGs because:

1. Climate change is a pending global risk that requires immediate action.
2. Climate change is central to EU legislative efforts such as the EU Taxonomy.
3. Companies tend to publish more publicly available information on certain greenhouse gas (GHG) emissions metrics than on social metrics. Being able to measure potential impact is key to incorporating it into the investment process.[1]
4. 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

1.3 Principal Adverse Impacts (PAIs)

1.3.1 Overview

MIFL acknowledges the responsibility of the asset management industry towards climate change risks and other PAIs, through investment decisions and interaction with other asset managers, investee companies and other institutions.

The concept of PAIs is:

"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. MIFL's approach to PAIS is based on:

- The Sustainable Finance Disclosure Regulation (SFDR).
- MIFL's approach to PAIs within Responsible Investment Funds.
- MIFL's prioritisation of PAIs to show alignment to our chosen SDGs.

1.3.2 The Sustainable Finance Disclosure Regulation (SFDR)

The SFDR provides a framework as well as specific environmental and social metrics that firms should calculate and monitor on an ongoing basis. The PAI indicators are a way of measuring how issuers negatively impact sustainability factors. .

1.3.2.1 MIFL's mandatory and voluntary PAIs

Mandatory PAI indicators:

Under SFDR, MIFL considers 16[2] mandatory indicators on greenhouse gas emissions, biodiversity, water, waste, and social indicators applicable to companies.

Voluntary PAIs:

In addition, the SFDR requires the selection of two voluntary indicators - one environmental and one social. From the available environmental options under "additional climate and other environment-related indicators", MIFL has chosen PAI 4 - Investment in companies without carbon emissions reduction initiatives, as it is complementary to our selected and prioritised indicators linking in with SDG 13.

From the available social options under "additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters", MIFL selected PAI 9 - Lack of a human rights policy, for its broad applicability across companies and sectors.

[1] In a 2021 survey undertaken by Irish Funds, it was found that there was good coverage on the greenhouse gas ("GHG") emissions, carbon footprint, carbon intensity and board diversity across different data providers.

[2] While there are 18 mandatory PAI indicators in total, only 16 are relevant to MIFL. There are 2 mandatory PAI indicators for real estate which do not apply to MIFL.

Mandatory PAIs[3]	
1.	GHG emissions
2.	Carbon footprint
3.	GHG intensity of investee companies
4.	Exposure to companies active in the fossil-fuel sector
5.	Share of non-renewable energy consumption and production
6.	Energy consumption intensity per high-impact climate sector
7.	Activities negatively affecting biodiversity-sensitive areas
8.	Emissions to water
9.	Hazardous waste ratio
10.	Violations of UN Global Compact Principles and Organisations and OECD Guidelines for Multinational Enterprises
11.	Lack of process and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises
12.	Unadjusted gender pay gap
13.	Board gender diversity
14.	Exposure to controversial weapons (anti-personal mines, cluster munitions, chemical weapons and biological weapons)
15.	GHG Intensity
16.	Investee countries subject to social violations
Voluntary PAIs	
4.	Investment in companies without carbon emissions reduction initiatives
9.	Lack of a human rights policy

Figure 3: PAIs Applicable to Investments in Investee Companies

1.3.3 Ongoing Monitoring of PAIs

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.

MIFL has a regulatory obligation to measure the PAI on a quarterly basis. The Investment Analytics and Reporting (IAR) team, working with the Banca Mediolanum Markets and Insurance Assets Unit, complete a look-through calculation every quarter for the 16 PAIs, across all funds, using data from MSCI ESG Manager.

Also, to comply with the regulatory obligation, MIFL aggregates the quarterly data at the entity level and publicly discloses on an annual basis on the "Statement on principal adverse impacts of investment decisions on sustainability factors". This statement should be updated annually by the June 30 in accordance with the SFDR RTS Level 2 Measures. A copy of the PAI statement can be accessed in MIFL's web site, https://www.mifl.ie/sustainability

1.3.4 Approach to PAIs in Responsible Investment Funds

For MIFL Responsible Investment funds, 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 the fund.

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.

MIFL's IAR Team prepare Quarterly PAI reports for each fund based on the PAI selected per fund using MSCI ESG Manager. These quantitative reports will be complemented by qualitative input from the investment team. These qualitative assessments include analysis of the drivers behind the indicators. MIFL has partnered with a third-party provider, Fastnet, to build a proprietary tool that leverages the MSCI ESG manager data for this process. It also may engage with the underlying managers to understand the rationale for the inclusion of those securities.

1.3.5 PAI Prioritisation

MIFL has chosen four SDGs (5, 7, 12 and 13) with the goal of achieving long term progress. To that effect, MIFL has identified and prioritised six PAIs linked to these four SDGs.

MIFL's aim is to demonstrate long-term improvement in the chosen SDGs through measuring these six prioritised PAIs at an entity level that are aligned to our chosen SDGs.

[3] Mandatory PAIs 1-14 are applicable to investment in investee companies, while PAIs 15-16 are applicable to investments in sovereigns and supranationals

	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

Figure 4: MIFL's prioritised SDGs and PAIs

1.3.6 Planned Actions to Mitigate PAIs

MIFL is aiming to improve the prioritised SDGs over time. Any relevant actions will differ depending on the investment approach taken.

For example, at the fund of manager level, MIFL carries out indirect engagement with companies on relevant ESG issues via third-party investment managers, targeting a focused list of improver investment managers to:

- Improve environmental disclosures.
- Engage with managers on the six chosen PAIs.
- Monitor progress on a periodic basis.

Additionally, MIFL targets engagement via proxy voting. For active ownership (delegates), voting will be carried out with Glass Lewis as the proxy agent. In 2021, MIFL customised its Proxy Voting Policy, leveraging the experience of delegates along with Glass Lewis. The custom policy seeks to align voting activity with MIFL's original core UN SDGs related to climate oversight and disclosure (7, 12 and 13), that seek to promote best practice with respect to a company's climate-related initiatives and policies.

In 2023, MIFL updated its policy to ensure its voting is also aligned to consider voting across Board Gender Diversity for PAI 13 and SDG 5.

For voting delegated to third-party managers (funds), MIFL tracks and reviews proxy voting reports.

1.3.7 Data Sources and Challenges

As it relates to PAIs and the reporting obligations, MIFL's IAR team, working with the Banca Mediolanum Markets and Insurance Assets Unit, use the MSCI ESG Manager tools to populate the data and to generate reports.

Also, MIFL uses the Fastnet tool as it provides ESG data (ESG, SDG and PAI scores) across all MIFL funds in an intuitive and practical way.

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 (PM) decision making or due to improvements in the underlying holdings?

The aim of monitoring these reports over time is to see improvements in scores. Engagement with managers and companies as it relates to PAIs should assist in delivering impact across MIFL's chosen SDGs.

In recent times, several asset management associations have undertaken surveys of ESG data providers as it relates to PAI information). Three key areas were noted for industry-wide challenges[4]:

4 Irish Funds Principal Adverse Impacts Reporting - practical insights for the next stage of SFDR implementation Publication 2021

- Data coverage: Overall, there is uneven coverage across the data vendors for all mandatory PAI indicators relating to investee companies. For some of these indicators, there is good coverage (e.g., greenhouse gas (GHG) emissions, carbon footprint, carbon intensity and board diversity). However, for a number of other indicators, there is currently little, or no data provided by the underlying companies or captured by the data vendors.
- Data variance: For several the indicators, there is a wide variance in the data points provided by the data vendors. This wide variance could have an impact on the creditability of the data reported.
- Comparability: In comparing the data provided by all data vendors, it was found that some of the data differed in terms of value and some in terms of units of measurement.

For example, PAI 9 Hazardous waste ratio only applies to certain sectors such as materials, industrials and utilities, and not to others such as financial services. Therefore, overall coverage of approximately 20% in MSCI ESG Manager coverage may seem low. However, MIFL decided to include this indicator as part of the six PAIs selected and prioritised for improvement as it targets the biggest polluters and aligns well with SDG 12.

MIFL recognises the challenges and notes that PAIs reporting disclosures will be made on a best-efforts basis.

MIFL along with the wider Mediolanum Group, following an assessment of data agencies, took the decision to use MSCI ESG Manager as its main data source to provide some transparency to its offering through external assessment. For now, MIFL plans to use this provider due to the level of disparity across the various providers and the imperfect quality of data.

1.3.8 Exclusion Policy

On December 23, 2021, the Italian parliament passed new legislation aimed at countering the financing of companies involved in anti-personnel mines and cluster munitions. The purpose of this new law is to introduce a strict prohibition on the financing of companies involved in anti-personnel mines, cluster munitions or components of these weapons, using a broad definition of involvement that captures activities such as production, development, assembly, repair, maintenance, use, storage, possession, promotion, sale, distribution, import, export, transfer and transport.

The law defines financing as "any form of financial support also made through subsidiaries, based in Italy or abroad, including, by way of example but not limited to, the granting of credit in any form, the issue of financial guarantees, the acquisition of shareholdings, the purchase or underwriting of financial instruments" issued by companies involved in anti-personnel mines, cluster munitions or components of these weapons.

As Italy is a key market for MIFL, we have implemented an exclusions policy that applies to both direct investments and delegated managers. This policy is in line with the new Italian legislation - Law 9 of 2021 December, n.220 - approved by the Italian Parliament and entered into force on January 1, 2023.

The Monitoring and Allocation Analysis Office, which is part of the Investment and Insurance Services Department of Banca Mediolanum, defines and provides MIFL with the list of companies which are to be divested from and/or prohibited from purchasing. Monitoring of invested assets in MIFL is carried out both by the Monitoring and Allocation Analysis Office and by MIFL trade compliance, to ensure that no assets on the prohibited investments list are bought/ held.

Section 2: ESG Integration

Section 2: ESG Integration

As it relates to MIFL's funds in scope of Article 8 or 9 of the SFDR, the approach taken will depend on the ESG goal or sustainable investment objective of the fund. MIFL uses MSCI ESG Manager as the key quantitative tool to be able to measure and better understand the ESG profile of our target funds, and delegate exposures from a holding perspective.

There is continued growing evidence to suggest integration can improve company operational performance and help deliver higher-quality returns leading to a more sustainable investment in the longer term.

ESG integration has been broken down into four areas:

- Multi-Management team.
- Fundamental Equities, Fund of Securities.
- Quantitative Equities, Fund of Securities.
- Fixed Income Fund of Securities.

2.1 Asset Classes and ESG

MIFL's ESG approach to asset allocation is more bottom-up and less top-down, as we do not wish to exclude investing in areas such as China or emerging markets in general. These segments of the market typically score poorly in ESG.

As it relates to broad asset classes, sustainability-themed strategies are more prevalent in equities and real assets (infrastructure, timber, agriculture) and less so in other asset classes. The vast majority of MIFL investments are in the equity and fixed income space.

Progress has been made in ESG integration and stewardship by asset managers across the asset classes over the last few years. While fixed income lags and is still rated as low/medium for progress on ESG integration, it is the asset class where some of the fastest changes and market developments are being seen - such as green bonds.

Historically, ESG in fixed income focused only on corporate credit, but now more asset managers are investing in research and tools to embed ESG considerations into sovereign bonds, asset-backed securities and even bank loans. Furthermore, with a growing universe of green and social-impact bonds in circulation, this is an area with strong market growth potential for ESG integrated approaches.

Within global equity strategies (funds or mandates), exposure to sustainability can be gained by using a couple of methods:

1. Pure play approach: The allocation to strategies is focused on one or more sustainability theme in a pure play approach, such as impact investing or climate-focused funds.
2. Focus on ESG integration: The exposure is more indirect through ESG integration and active ownership of broader mandate equity portfolios.

2.1.1 Pure Play Sustainability Themed Fund Considerations

A pure play sustainability-themed fund enables investors to target specific themes that they find important. For example, if an investor wanted to own companies that contributed to climate solutions, energy transitions or reduced water scarcity, sustainability-themed funds would be an option to target those specific issues. They are typically found in the equity space.

Our range of funds has growing exposure to strategies with a focus on pure play strategies in response to a growing universe of strategies in the market, greater proof of concept over time, and growing demand from our clients.

2.2 External ratings for fund selection and monitoring

MIFL use two primary external sources for external ESG ratings: MSCI ESG Manager and Mercer's ESG ratings. Sustainalytics ratings can also be used as a backup in the event of not having a rating with either of the two vendors listed above. In addition, MIFL may use other well-known sources of research such as ShareAction.

2.3 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. ESG factors that should be considered by managers include the following:

Environmental	Social	Governance
• Climate change • Water • Waste and pollution • Greenhouse gas emissions	• Health and safety • Demographics/ consumption • Supply-chain labour issues • Employee relations and diversity	• Board structure and diversity • Remuneration • Accounting and audit quality

Figure 5: Examples of ESG factors considered by MIFL

Although all factors are important, to be consistent with our overarching ESG beliefs, particular emphasis is placed on environmental factors and gender equality.

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 an interesting risk-adjusted and more sustainable performance.

There are a number of tools in place to monitor and assess ESG profiles. 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.

2.3.1 ESG Proprietary Rating

In addition to the standard investment considerations, the ESG team examine the manager's approach to ESG issues. Both aspects are interlinked. That is, 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 more sustainable products by minimising risks of environmental and social liabilities.

With this updated policy, MIFL will maintain an ESG rating for funds on the Buy List from 1 (laggard) to 5 (leader). This has been rolled out for new funds and applied to the existing Buy List on a phased basis since 2020.

The tools to support this rating include qualitative inputs MIFL ESG Engagement Survey, Mercer ratings, ShareAction, meetings with portfolio managers, industry reports as well as quantitative metrics (MSCI ESG Manager used as a primary tool).

The outcome of this is an ESG rating ranging from 1 to 5.

2.3.2 Framework for MIFL Responsible Investment Funds

The SFDR introduces more prescriptive disclosure requirements, in the form of the Annex Disclosures (II to V) for funds that make sustainability claims (MIFL Responsible Investment Funds), including:

- Funds that promote, among other things, an environmental and/or social objective (Article 8 funds); and may include a sustainable investment objective portion (Article 8 Plus funds); or
- Funds that have a sustainable investment objective (Article 9 funds).

The current MIFL Article 8 and 9 funds 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[5]. The Single Securities Team currently does not manage any Article 8 or 9 funds.

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

2.3.2.1 Framework for Selection of Article 8 and Article 9 Multi-Management Funds

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

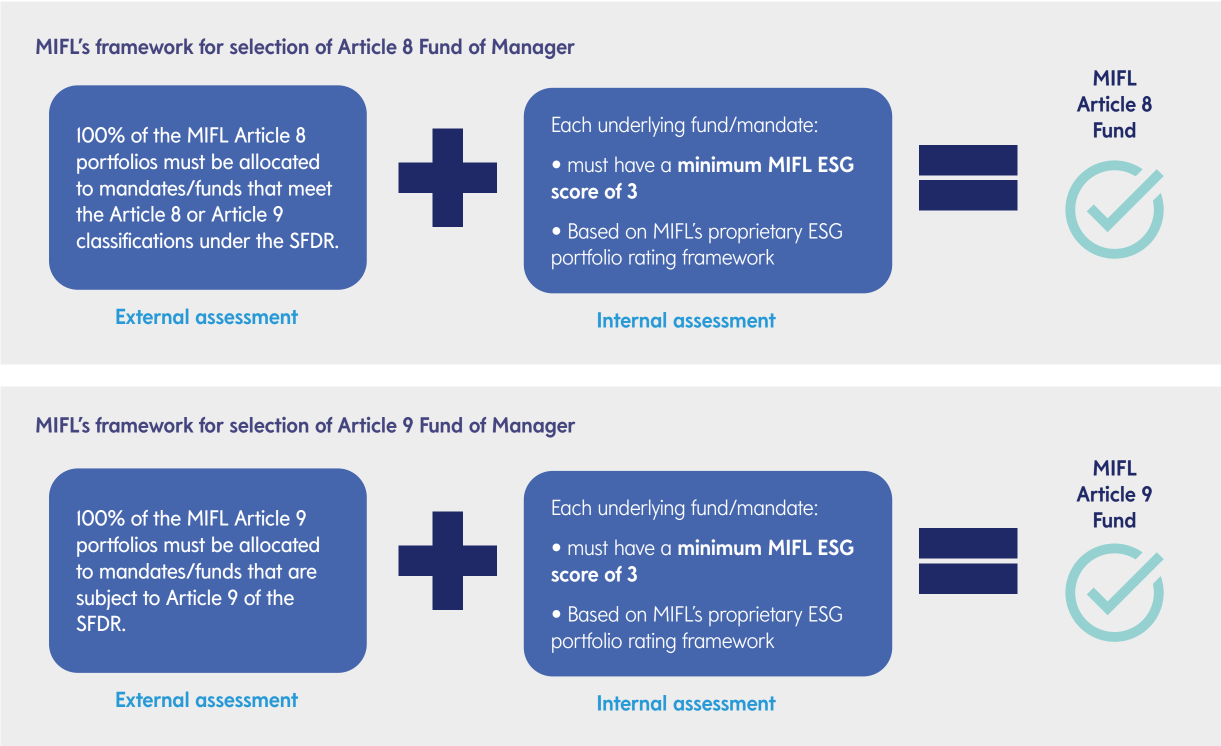

Figure 6: MIFL's framework for selection of Article 8 & 9 Multi-manager funds

2.3.2.2 ESG/sustainable investment approach of the underlying fund/mandate

Even if the minimum criteria have been met, before selecting a fund/mandate for inclusion in a MIFL Article 8 or 9 fund, MIFL must also gather information on the sustainable/ ESG investment 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;
- ESG investment strategy and any 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 ESG/ Sustainability investment approach and that the objectives are in line with those of the overall portfolio's ESG or sustainable investment objectives.

2.3.2.3 Approach at the level of the fund

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 I or any other binding elements to the strategy;

- Use of derivatives;
- Use of sustainability indicators, including PAIs where relevant; and
- A policy of monitoring governance breaches of international norms.

Under the SFDR, to increase transparency around sustainability claims made by financial market participants, MIFL is obliged to make detailed disclosures for any MIFL Responsible Investment Funds (Article 8 or Article 9) within the MIFL range.

Fund of Manager summary

Process Overview	All funds*	Article 8 and Article 9 Funds**
MIFL's ESG Rating (1 to 5)	✓	✓
Assessment of MIFL Responsible Investment funds to ensure a minimum rating 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 ESG Manager score on Buy List	✓	✓
PAI: Quarterly monitoring report at entity level	✓	✓
PAIs: Engagement with managers regarding PAI scoring	✓	✓
Periodic enhanced engagement with targeted (poor MIFL ESG rating) managers	✓	✓
Ad-hoc engagement with managers regarding key topics (controversial stock in portfolio, firm news item, etc.)	✓	✓
Periodic review to make sure that MIFL criteria is holding		✓
Monitoring of MIFL Responsible Investment Funds: Quarterly PAI Report		✓
Sustainability indicators disclosure – 2023. MIFL will comply with the periodic 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

Figure 7: MIFL's Muti-management process

2.3.3 Monitoring Responsible Investment Funds

On an ongoing basis, MIFL monitors the implementation and attainment of the ESG goal/ sustainable investment objective of the Articles 8 and 9 funds.

To do this, MIFL will:

- Leverage delegate managers and target funds reporting that will demonstrate how the individual fund/ mandate is attainting its specific ESG goal/ sustainable investment objective;
- Monitor at the level of the sub-fund using a variety of PAI[6] and ESG metrics;
- Monitor the Quarterly PAI reports for MIFL RI funds produced by the IAR 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 as required 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, to satisfy the ESG team that the manager is meeting the above requirements, it requested:

- At the end of 2022 for all managers managing mandates included in MFIL RI funds to sign updated Investment Guidelines, attesting to meeting the above criteria.
- In 2023 for all managers included in MIFL RI funds, to provide, on a quarterly basis, the monitoring of sustainability indicators of their fund or mandates, to evidence how they are achieving the promotion of ESG characteristics or the sustainable investment objectives of their respective funds or mandates. The ESG team reviews this reporting to ensure the managers ongoing monitoring.

2.3.4 Annual Account: Periodic Disclosures

Specific disclosures must now also be included in the Annual Reports for all MIFL RI Funds. 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.

2.3.5 Quarterly PAI Reports

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 or analyst 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.[7]

[6] The PAIs selected depend on the environmental and/or sustainable characteristics being pursued by the fund

[7] MIFL's quarterly PAI reports are tailored to monitor the promotion of ESG characteristics or the sustainable investment objectives of the MIFL RI Funds. 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.

2.3.6 Ongoing Manager Monitoring

The significant amount of AUM which MIFL outsources is a powerful tool when engaging with external third-party managers. This leverage helps to push MIFL's ESG and sustainable investment agenda across the broader industry.

The objective agenda is to:

1. Make it clear to our partner asset managers that monitoring and developing an ESG agenda by them is an important issue for MIFL; and

2. Allow the ESG team to build a database and assess which managers are being particularly proactive and showing improvement over time.

This is achieved using the MIFL ESG Engagement Questionnaire which looks at a range of ESG areas. As part of the assessment, the team assigns a MIFL ESG rating from 1 to 5, which will be based on the framework described earlier.

As outlined, MIFL will review this rating for all Article 8 and Article 9 strategies invested in MIFL RI funds on an annual basis. For all Article 6 funds, MIFL is targeting a review once every 3 years.

Providing ESG ratings for the Buy List assists MIFL's multi-manager PMs to assess the ESG impact of their portfolio construction decisions and supports engagement with a selection of laggard and below average strategies to seek improvements.

In addition, by communicating our ESG approach and requirements with current and potential target funds and delegate managers, the aim is to drive change, particularly with those who score poorly against MIFL metrics.

The Buy List is reviewed monthly. This includes a review of the internal ESG score and any changes that are recommended. Data points covered in the monthly review include: MIFL ESG manager rating and MSCI. This template is updated regularly and in line with new requirements and policy changes.

2.3.7 Engagement with Laggards and Below Average Scoring Managers

MIFL engages with a selection of asset managers and PMs who it ranks as laggards and/ or below average to help improve this rating. These are classified as MIFL ESG 1 and ESG 2.

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.

Particular emphasis will be placed on the E score and on the CO^2 emissions profile (where available) to support our three SDG pillars of environmental focus in addition to our chosen PAI metrics as well as a focus on gender equality and Board gender diversity[8].

2.4 Single Securities ESG Framework

MIFL's Single Securities Team does not manage ESG, exclusionary or impact funds at present, but it takes a number of measures to ensure the process integrates ESG criteria throughout the stock selection and portfolio construction process. The Single Securities framework, like MIFL's multi-management approach, will focus on SDGs 5, 7, 12 and 13 through the use of the prioritised PAIs. This underpins the engagement with companies, reinforces the commitment to focus on issues such as climate change, green energy and gender equality, in line with the Mediolanum Group principles, along with other ESG issues and PAI metrics. Details of these engagements are documented in our proprietary Research Library to monitor progress. Progress is reviewed periodically by the Head of Equities and presented in our SIG meetings.

The net result of this should be of benefit to society as reduced carbon emissions and better waste management mean less pollution and a healthier environment. In addition, better labour standards and awareness of human rights, benefits employees, customers and the supply chain. Also, improved controls at a governance level help instil confidence in management and avoid the costs associated with corruption and litigation.

[8] Note that the ESG team may add or remove managers over time.

2.4.1 Fundamental Equities

Analysis of ESG-related factors at a company level can be used as both a risk signal and a source of growth opportunities. It also fulfils a fiduciary duty by offering a high level of transparency on the impact of portfolios, based on ESG metrics, including PAIs.

Engagement with companies underpins this and assists in understanding company's idiosyncratic exposure to ESG-related risks and opportunities.

Engagement can also be used to encourage companies to better manage salient ESG risks and improve transparency levels. This approach supports MIFL's ability to report commitment to the SDGs.

There are three areas of focus:

- **Research:** Identify ESG-related company and industry-specific opportunities and risks through fundamental research and the use of ESG data.
- **Engagement:** Engage in dialogue with companies to understand exposure to and management of ESG risks and opportunities, leveraging PAI data. Encourage greater transparency from companies in line with MIFL's commitment to the SDGs.
- **Reporting:** Provide transparency on the impact to portfolios from metrics aligned to chosen SDGs

2.4.1.1 ESG Research

The identification of sustainability themes and the subsequent detection of companies with exposure to these themes can be a meaningful source of alpha.

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 ESG Manager, 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. An example of this would be an assessment of a technology or professional services company's ability to manage clients' sensitive personal data.

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

2.4.1.2 Engagement with companies

The ESG team categorises engagement under:

1. Engagement for information.

Engagement for information is a vital tool in the research process. Corporate dialogues are initiated to gain a better understanding of a company and issues such as corporate strategy, competitive positioning, and capital allocation.

2. Engagement for change.

Engagement for change, when linked to ESG research, allows the investor to act as a catalyst for improved corporate behaviour. MIFL has a multi-stage process which focuses on achieving long-term progress on chosen SDGs by monitoring prioritised PAIs:

Pre-screen existing holdings which lag relative to peers on objective metrics related to chosen PAIs.

Begin structured dialogue with companies aimed at achieving objective progress on the given issue. For example, if a company provides inadequate environmental disclosures, MIFL encourages it to adopt a recognised international standard such as the Carbon Disclosure Project. Or if a company discloses adequately but has yet to set decarbonisation targets, MIFL encourages it to set targets aligned to the goals of the Paris Agreement. Or if a company has set goals, MIFL encourages accountability by aligning performance on these goals with executive compensation.

Progress on engagement activity is recorded in the proprietary research template.

The likelihood of successful engagement is supported through an active proxy voting approach which utilises the research of Glass Lewis and its sustainability research module.

Stock ESG score captured on buy sheet	✓
Engagement activity recorded on proprietary research template	✓

Figure 8: Single Securities ESG framework

2.4.2 Quantitative Equities

ESG is considered in various forms within the quantitative equity team.

In line with MIFL's RI Policy, the team monitors prioritized 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, Responsible Consumption and Production, and Climate Action.

The team has access to MSCI ESG Manager data on underlying PAI metrics which can be tracked alongside the team's factor models for a universe of over 8,000 companies which can help in the identification of global leaders and laggards in countries and sectors.

2.4.2.1 Proxy Voting

The team benefits from MIFL's active proxy voting which utilises the research of Glass Lewis and their sustainability research module.

2.4.2.2. Exclusions

In line with the firms Controversial Weapons Procedure, the team does not hold and actively excludes from the investment process those securities involved in cluster munitions and anti-personnel landmines.

Action	
Monitoring of PAI	✓

Figure 9: Quantitative Equities framework

2.4.3 Fixed Income

In line with the MIFL RI Policy, the Fixed Income Single Securities team incorporates PAI considerations into the investment process through a combination of ESG integration and thematic investing.

The team monitor the PAI metrics at a fund level, and intra-fund basis, by examining the biggest drivers of the metrics at a sector and security level.

2.4.3.1 Fund PAI Analysis

The fund PAI exposures are measured at least monthly. Reports generated are included in the monthly SIG pack. The analysis of the key drivers of a fund's PAI scores are outlined and discussed monthly with the IC.

2.4.3.2 Individual Security PAI Analysis

The same PAI set must be considered for each single security investment proposal. PAI's can be assessed as the PM deems appropriate.

For the MSCI factor list the manager can assess the company/entity metrics against peers or against a benchmark to determine the significance of the PAI scores.

As part of the investment research process, PMs give due consideration to the sustainable strategies/policies of the company/entity, to understand the risks posed by these factors. A PM can look for policies that are aligned with MIFL's PAI.

MIFL recognises that the PAI consideration is one of many factors included in an investment research note. Portfolio managers must demonstrate reasonable consideration of the PAI's along with other investment, technical, fundamental and valuation factors, when determining the validity of the risk/reward profile.

2.4.3.3 PAI Engagement

Engagement via fixed income investing can be challenging. Proxy voting and shareholder engagement is available to equity investors only.

However, fixed income PMs that invest in labelled bonds have the opportunity to allocate capital directly towards specific goals.

For instance, PMs can look to invest in labelled bonds that are aligned with MIFL's prioritised SDGs and focussed PAI.

Action	
Monitoring of PAI	✓

Figure 10: Fixed Income ESG framework

Section 3: Proxy Voting Policy

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3.1 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, ESG engagement updates may be requested in calls or meetings with a manager.

- **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. 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.

Therefore, in 2021 MIFL customised the Proxy Voting Policy with Glass Lewis to align voting activity with core UN SDGs related to climate oversight and disclosure (7, 12 and 13). The 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.

In 2023, MIFL updated its policy to ensure its voting is aligned to Board Gender Diversity, linked to PAI 13 and SDG 5. Specifically, the update strengthened its policy concerning gender diversity on boards to provide that, if less than 30% of the board is female, the MIFL will vote against the entire nominating committee for large- and mid-cap companies.

Previously, the policy ensured MIFL would vote against male members of the nominating committee in instances where large-cap companies did not have at least 30% gender diversity, and against the chair of the nominating committee when mid- and small-cap companies did not have at least one woman on the boards.

The policy recommends voting against male members of the nominating committee when small-cap companies do not have at least one woman on the board.

The policy has also been updated 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:

1. The board's current percentage of racial/ethnic diversity.
2. Whether the board's definition of diversity explicitly includes gender and/or race/ethnicity.
3. 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").
4. Board skills disclosure.

In 2023, the MIFL custom voting policy also integrated additional elements concerning governance and sustainability principles to reflect best governance practices.

3.2 Shareholder Rights Directive II

Under the Shareholder Rights Directive II (SRD II), MIFL is required to publish a Shareholder Engagement Policy on its website that outlines its approach to voting and engaging with underlying investee companies. The Shareholder Engagement Policy echoes the approach outlined in the Proxy Voting Policy. Under the SRD II, MIFL must also publish information on the outcome of its voting on an annual basis. This disclosure is also available on the MIFL website. https://www.mifl.ie/products/products-overview

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, some exceptions such as Impact and Italian equities.	Yes Even though we exercise voting, we can still engage the managers as to their overall parent level approach on ESG. ESG Questionnaire and ongoing manager meetings.

Figure 11: Overivew of MIFL's engagement and voting policy

Section 4: Collaboration and Collective Action

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MIFL is up to date and current on other relevant initiatives and regulatory developments as it relates to sustainable investment,

4.1 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.

Other relevant reference institutions:

- UK Stewardship Code.
- International Corporate Governance Network (ICGN).
- Climate-related: Institutional Investors Group on Climate Change (IIGCC), Carbon Disclosure Project (CDP).
- Alignment with the recommendations from the Task Force on Climate-related Financial Disclosures. (Note: this is a requirement if signing up to PRI),
- US SIF - EuroSIF Research Reports.

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