

## MIRABAUD ESG Leaders Strategy Mandate

Product name: MIRABAUD ESG Leaders Strategy

Legal entity identifier: 549300D7SF4JSQDV7040

### Environmental and/or social characteristics

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

☒ Yes ☒ No

<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <u>10</u> % of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____%	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

#### Sustainable investment

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

#### The EU Taxonomy

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

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

Mirabaud ESG Leaders Strategy ("financial product") promotes environmental and social characteristics pursuant to Article 8 of the Regulation (EU) 2019/2088 by investing in financial instruments which integrate sustainability risks in the investment process and which, in parallel, show positive Environmental, Social and Governance ("ESG") performance.

This financial product is composed by a mix of funds and direct lines, aiming at reducing extra financial risks while ensuring a good ESG performance (ESG management and governance). Overall, based on Morningstar & Sustainalytics data, the ESG risk score of the portfolio has to be below 20 (range: 0-100).

Moreover, at least 70 % of the portfolio is allocated in target funds and direct lines that promote environmental and/or social characteristics and pass the qualitative assessment of their sustainability processes conducted by Mirabaud, i.e. “ESG leader” selection (see in the section regarding investment strategy).

In addition, at least 10% of the net assets will be in investments that qualify as sustainable investments. To be considered as sustainable, the investments have :

- to be qualified as ESG leader according to the Bank’s assessment,
- to contribute to at least one sustainable development goal (“SDG”),
- to never violate any of the United Nations Global Compact principles and OECD guidelines for multinational enterprises,
- to do no significant harm (no controversial weapons & a max limit of 5% exposure to fossil/fuel sector).

Finally, the financial product excludes from the investments (“Mirabaud Exclusion Policy”) :

- companies involved in the research, development and manufacture of controversial weapons (regardless of the level of revenue generated),
- companies directly involved in the tobacco industry’s product (5% revenue threshold),
- companies deriving revenues from thermal coal mining (10% revenue threshold), and
- companies deriving revenues from adult entertainment.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.

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

- Global ESG risk of the portfolio,
- Percentage of portfolio that qualify as “ESG leader”,
- Percentage of sustainable investments,
- Percentage of SGGs,
- Percentage of financial instruments with an ESG controversy level 5.

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

The objective of the sustainable investments that the product partially intends to make, is to support energy efficiency, waste management and carbon emissions reduction.

This is achieved by investing in companies undertaking economic activities making a substantial contribution to at least one of the United National Sustainable Development Goals (“SDGs”), provided they do no significant harm (“DNSH”), meet minimum safeguards and good governance criteria.

#### **Sustainability indicators**

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

#### **Principal adverse impacts**

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



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

The Bank uses a multi-layered approach to ensure the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective. This approach is followed before any investment decision on an ex-ante basis.

1. Mirabaud does not invest directly in any company that does not meet specific criteria detailed in our Mirabaud Exclusion Policy. Selected external Funds and ETFs have their own exclusion policy but must respect similar criteria.
2. Mirabaud considers Principal Adverse Impacts ("PAI") indicators for the investments included in its portfolio through a proprietary analysis tool (please refer to the dedicated question below for additional details).
3. In addition, the mandate's investments comply with minimum social safeguards, such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (please refer to the dedicated question below for additional details).

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

The Research team uses a combination of fundamental research and bottom up ESG analysis to identify the best quality issuers that are well positioned both from a financial and extra-financial perspectives. In the selection process of ESG leaders products, the indicators for adverse impacts are systematically taken into consideration. Moreover, on a regular basis, a set of indicators (including PAIs indicators) are monitored to enable measuring the mandate's extra-financial performance.

### ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

Mirabaud Wealth Management strives to invest in companies, directly or through funds, that abide to international rules and norms, including but not limited to, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and ILO conventions. The Research team excludes entities that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.

Moreover, the mandate does not invest in issuers subject to severe controversies including business ethics and human right breaches. Mirabaud monitors controversies and breaches on a regular basis with the belief that being subject to serious controversy reflects a poor management of ESG risks and, in general, weak business practices. Companies with considerable controversies are monitored closely and analyzed in order to assess the outlook of the controversy and the company's response.



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

☒ Yes, Mirabaud considers and monitors the adverse impacts that entities have on sustainability factors, as per Table 1 of Annex 1 to regulation 2022/1288 :

- Greenhouse gases ('GHG') emissions:
  - GHG intensity of investee companies (PAI #3),
  - Exposure to companies active in the fossil fuel sector (PAI #4).
- Social and employee matters:
  - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI #10).
- Human rights:
  - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (PAI #14).

The specific PAI indicators that are taken into consideration re subject to data availability and may evolve with improving data availability and quality.

☐ No

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



## What investment strategy does this financial product follow?

The financial product promotes investments which integrate sustainability risks in the investment process and which, in parallel, show positive environmental, social and governance performance. The financial product is composed of a mix of funds, ETFs, structured products and direct lines (equities, corporate and sovereign bonds), aiming at reducing ESG risks and promoting identified ESG themes and dimensions. Investment selection is founded on a solid ESG analysis, that embeds non-financial information both from internal and external sources.

ESG is integrated into the strategy through exclusions, integration and thematic.

At a more granular level, investments selection considers multiple ESG criteria for each asset class:

- Companies (equities & corporate bonds)

A majority of selected companies are labelled as "ESG leaders" by Mirabaud Research team, highlighting its positive environmental and social characteristics reflecting our internal methodology. For each company, the exposure to ESG risks and the management of its ESG dimension were assessed as part of a detailed analysis. It is complemented by an assessment

of the main impacts of the company's products and services on the environmental and social dimensions. This analysis is based on data provided by various rating agencies, as well as research from various sources (company documentation, press articles, international organizations and NGOs, etc.).

ESG criteria for Companies (equities & corporate bonds):

- Exclusion: Mirabaud Wealth Management does not invest directly in any company that does not meet specific criteria detailed in our Mirabaud Exclusion Policy.
- ESG Risks: Preference is given to companies in sectors that are not highly sensitive and that demonstrate good ESG risk management. In addition, the qualitative analysis focuses on materiality issues specific to business sectors which are defined in advance. This analysis aims to assess companies' ESG governance, strategy, policies, sustainability objectives and results.
- Impacts of products and services: Preference is given to companies that, through their products and services, contribute to positive and measurable impacts on the environment and society. The activities of companies are analysed in terms of their positive or negative impacts. Indicators such as the percentage of turnover associated with sustainable activities are considered. Besides, the United Nations Sustainable Development Goals (SDGs) framework is used.
- Controversies: Companies that face severe ESG controversies (level 5 according to Sustainalytics) are excluded. All securities in the investment universe are systematically analysed for their environmental, social and governance controversies.

#### • Sovereign bonds

In addition to the credit risk analysis, a detailed qualitative sustainability assessment is conducted internally on sovereign issuers, for both «developed» and «emerging» countries. This ESG analysis is based on data provided by international organizations such as but not limited to the World Bank, the OECD or the United Nations, NGOs, such as Transparency International. It distinguishes, for each category of country ("developed" and "emerging"), sovereign issuers that demonstrate good performance in managing sustainability issues.

ESG criteria for Sovereign bonds:

- ESG performance and risks: a qualitative analysis focuses on the identification and assessment of the main risks and weaknesses faced by states in terms of sustainability. At the same time, a second analysis highlights the strengths or progress made by the governments of these states. All three ESG dimensions are taken into account.
- Impacts: qualitative analysis of weaknesses and strengths is complemented by an impact assessment aligned with the United Nations Sustainable Development Goals framework.



### • Active funds

The selection of ESG and thematic strategies is based on a robust and proven in-house methodology. A specific ESG due diligence is performed by Mirabaud Wealth Management Research team.

The ESG active funds may include funds managed by Mirabaud Asset Management in addition to external third-party funds.

ESG criteria for selection:

- ESG Strategy: the funds all put forward a clear, credible and ambitious ESG strategy.
- ESG methodology and expertise: Funds must be managed according to a robust methodology by teams with demonstrated expertise in thematic research and ESG analysis. These dimensions are assessed through the questionnaire used for due diligence.
- ESG Risks Performance: the ESG performance of the funds demonstrate that ESG risks related to securities, are controlled and well managed both in terms of controversies and involvement in sensitive activities from a sustainability point of view. ESG performance must achieve a minimum risk rating score (minimum of 3 globes out of 5, reflecting at least average performance).
- Exclusions: Mirabaud Exclusion Policy applies to Mirabaud Asset Management funds. External third-party funds are excluded from the scope of application.
- Controversies: in the event of severe controversies related to a fund security, exchanges take place with the concerned fund managers which may ultimately lead to the exclusion of the fund.

### • Passive funds (ETFs)

To complement the range of ESG funds, the portfolio offers a selection of global and thematic ESG ETFs. The chosen global ESG ETFs replicate a traditional index while favouring securities that have a better ESG performance (including scores provided by Morningstar), through a best-in-class and exclusionary approach.

ESG criteria for selection:

- Quality of ESG indices: thematic ESG indices must be built on a clear ESG methodology which is assessed and reviewed by Mirabaud Wealth Management Research team.
- ESG Risks Performance: the ESG performance of the ETF demonstrates that ESG risks related to underlying securities are controlled and well managed both in terms of controversies and involvement in sensitive activities from a sustainability point of view.
- Exclusions: Mirabaud Exclusion Policy does not apply to the selection of passive funds.

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





- **Structured products**

The ESG portfolio may also contain actively managed certificates (AMC) reflecting specific ESG thematics Mirabaud Wealth Management chose to promote. These products may be labelled as ESG leaders. Other types of structured products may also be labelled as ESG leaders depending on their underlyings.

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

The various steps of the investment process described above are binding elements, with specific focus on:

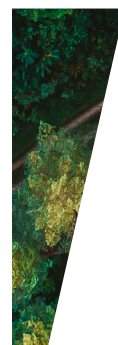
- Upstream to its investment process, the strategy excludes investments in controversial weapons, tobacco, adult entertainment and thermal coal mining. More information can be found in the Mirabaud Exclusion Policy.
- All direct investments must receive an ESG risk rating below 30 according to Sustainalytics data availability (and overall ESG risk rating of the portfolio has to be below 20).
- The portfolio excludes any direct investment in equity, bond or structured product connected to a company facing severe ESG controversy (level 5 according to Sustainalytics).
- Companies in breach of the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and ILO conventions are further excluded.

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

No commitment.

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

For direct lines, we analyze how the business is run, how corporate management and boards relate to different stakeholders and whether the corporate incentives align with the business' success. Assessing the effectiveness of corporate governance systems within a firm gives us insight into the accountability mechanisms and decision-making processes that support all critical decisions impacting the business.

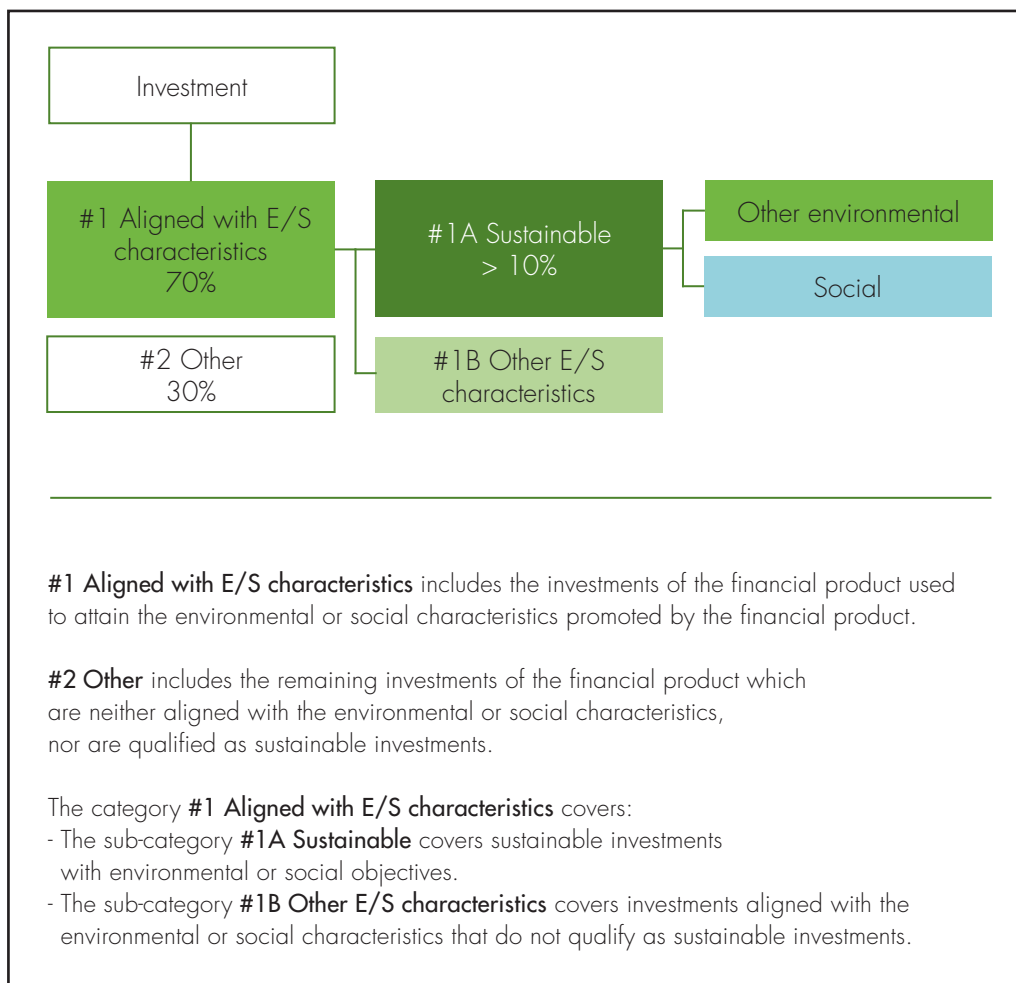


Examples of governance topics we look out for include but not only:

- Executive compensation
- Compensation tied to long term and/ or ESG metrics
- Diversity of the board of directors
- Separation of chairman and CEO roles
- Independent board members

#### Asset allocation

describes the share of investments in specific assets.



For funds we mainly select SFDR compliant article 8 and 9 products, where good governance principles shall be verified by the fund investment management team.



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

A minimum of 70% of the portfolio net assets will be invested in products that qualify as aligned with its E/S characteristics.

Furthermore, the strategy invests, a minimum of 10% of net assets in sustainable investments with environmental or social objective.

The strategy invests a maximum of 30% in cash, cash equivalents and/or investments for diversification purposes.

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

Not applicable

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

No alignment

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

No commitment within the product to invest in activities not aligned with the EU Taxonomy.

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

Cash, cash equivalents and/or other investments may be held as ancillary liquidity or for diversification purposes. These instruments are not expected to detrimentally affect the delivery of the sustainable investment objective. There are no minimum environmental or social safeguards applied to cash investments.

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

More product-specific information can be found on the website: <https://www.mirabaud.com/fr/services/wealth-management/investissement-socialement-responsable>

