ESG integration in the FDC SICAV Actions Monde – Actif 2

Summary:

KBIGI manages an active global equity portfolio for FDC designed to deliver consistent excess return, downside protection, lower risk and lower volatility than the benchmark. We are total return investors, building all-cap portfolios with strong diversification, value, quality and enhanced ESG characteristics that are designed to deliver in most market environments.

The FDC portfolio managed by KBIGI has the following ESG features:

- **Full ESG integration**
- **Positive ESG Style bias**
- **Decarbonisation programme**
- **Extended exclusion list**
- **Engagement programme**
- **ESG reporting and monitoring**

KBI's commitment to responsible investing

KBI has a long-standing commitment to Responsible Investing dating back to the early 1980s when we started working with our clients to construct portfolios that exclude companies engaged in certain controversial activities. Over time, we have strengthened and deepened our approach to Responsible Investing to the extent that ESG considerations are now a key factor in stock selection and fully integrated into all our investment decisions. We strongly believe that this leads to better long-term investment outcomes for our clients.

We engage constructively with the management of companies through direct conversations, collaborative initiatives and industry groups where it is merited as well as active use of our proxy voting.

We have been signatories to the United Nations Principles for Responsible Investment (UNPRI) since 2007.

As a signatory, we fully subscribe to the six Principles of the UNPRI. We submit a detailed Transparency Report to the UNPRI, annually, setting out our compliance with the principles and this report is publicly available via the UNPRI website. The firm's 2020 annual PRI assessment awarded the maximum possible rating (A+) rating to all three categories relevant to equities for the 4th consecutive year.

- Strategy and Governance: A+ rating
- Listed Equity Integration: A+ rating
- Listed Equity Active Ownership: A+ rating

We also participate in or are signatories to several other responsible investment organisations and initiatives.

- CERES Investor Network on Climate Risk
- Institutional Investors Group on Climate Change (IIGCC)
- CDP (Carbon Disclosure Project)
- Climate Action 100+
- Building a Sustainable Investment Community (BASIC)
- SIF Ireland

- The Taskforce on Climate related Financial Disclosures (TCFD)
- Workforce Disclosure Initiative

Full ESG integration

We believe ESG analysis helps on the upside, because it helps to identify companies that are anticipating change and therefore establishing a long-term competitive advantage. It also helps on the downside because companies with poor ESG agendas tend to carry higher levels of risk, are more likely to have unsustainable business practices and more susceptible to events that cause financial harm.

Because of this, we actively integrate ESG information about companies into the investment process for all global equity strategies managed by KBIGI.

Our global equity strategies have always had a strong emphasis on the Social and Governance elements of sustainable investing, both of which we believe to be long-term sources of alpha and are embedded into our investment thesis. Our research also shows that high quality companies, with high payout commitments – the type of companies we target - demonstrate a higher level of corporate governance. Simply put, we believe that shareholder (rather than management) interests are given a higher priority when compared to low or non-dividend payers.

We explicitly incorporate ESG scores within the investment process for the global equity strategy we manage for FDC. ESG is one of the key factors that we use to rank the attractiveness of a company alongside our other favoured metrics in the stock selection phase of our process. When constructing the final portfolio, we target superior ESG scores versus the benchmark at an overall portfolio level.

Decarbonisation

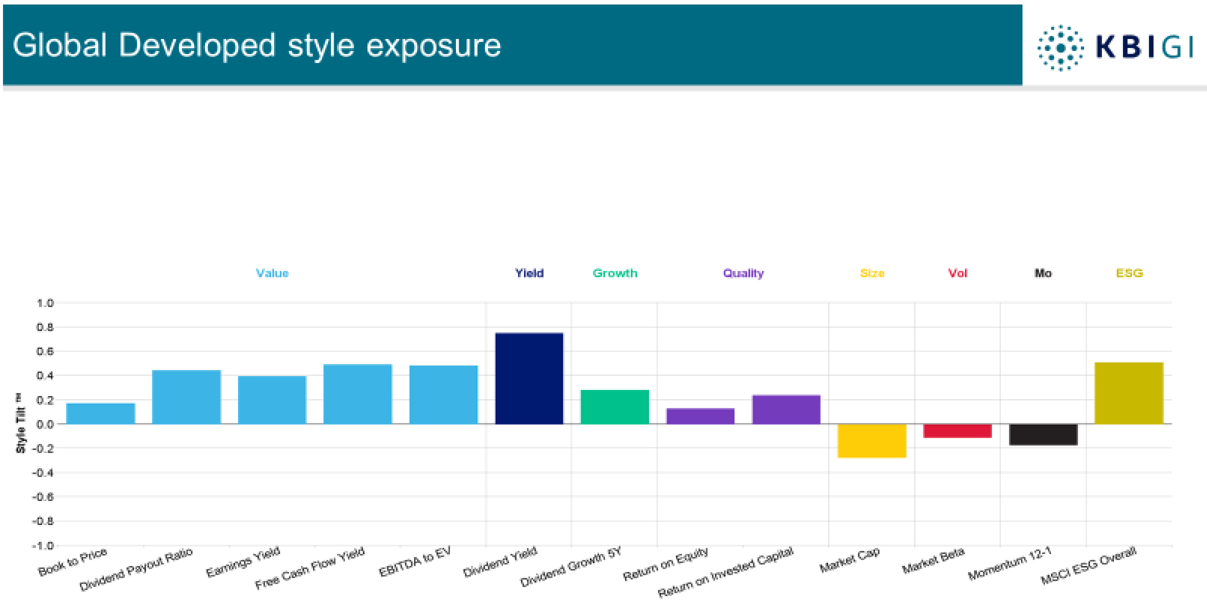
We began to actively manage the decarbonisation of our portfolios from the end of 2019. Our target is to reduce the Weighted Average Carbon Intensity (Scope 1 and Scope 2) of the portfolio by an annual average of 7.6%, each year to the end of 2024, using the carbon intensity of the index in 2019 as the base. We believe that this level of reduction is broadly in line with that needed to achieve the aims of the Paris Agreement, as estimated by the United Nations Environment Programme. We hope to include Scope 3 emissions in time, as data availability and quality improves.

Positive ESG Style bias

We prefer a high degree of transparency and clear long-term conviction to maintain a persistent ESG bias to our portfolios. We have added ESG to our matrix of stock selection criteria, and deliberately and meaningfully control the overall portfolio outcome to ensure we are significantly overweight to ESG in the portfolio construction process. While we are achieving a significant overweight exposure to ESG, we are delivering that bias at a significant discount to the market. Maintaining our Value and Total Return bias is crucial at this point in the investment cycle, as we don't believe that further multiple expansion is likely to contribute to equity returns.

Our commitment can be demonstrated in the chart below.

Chart 1 : KBI Global Equity Strategy



Portfolio: KBI Global Developed
Benchmark: MSCI World
Snapshot Date: 31/Mar/2021
Currency: USD

Source: KBI Global Investors (using representative strategy data), Style Research. USD as at 31st March 2021 MSCI World. See disclaimers for description of index information.

Extended Exclusion list

The portfolio is kept fully compliant with FDC's exclusion list which ensures that investments are compliant with international conventions ratified by the Grand Duchy of Luxembourg.

We additionally observe a house exclusion list which is applied to all portfolios managed by the Firm. In addition to companies that are involved in the manufacturing or distribution of controversial weapons (the production or sale of anti-personnel mines and cluster bombs, or of chemical, biological and depleted uranium weapons), we exclude those that persistently breach one or more of the 10 principles of the UN's Global Compact initiative which cover human rights, labour rights, the environment, and corruption. We also exclude companies involved in large scale coal extraction (mining) or coal-fired electricity generation and tobacco production.

Engagement

Direct Engagement: There are many reasons for commencing engagement, including but not limited to concerns re. board structure and governance, excessive or inappropriately structured executive compensation, management's intention or ability to deliver shareholder expectations, disclosure of environmental information, and breaches of best practice with regard to stakeholder management. However, while any of these factors may lead to commencement of Engagement, we have decided to particularly focus on companies in relation to which we have particular ESG-related concerns, or which do not publish adequate environmental information, or which are 'laggards' with regard to a commitment to address climate change issues.

The process continues until closed, either because we have obtained a satisfactory result or because we feel a satisfactory outcome is unlikely, in which case we will consider divestment, if we judge it to be in the best interests of our clients.

Collaborative Engagement: In addition, we participate in collaborative engagement efforts. We participate in these collaborative engagements at a firm level based on materiality and items prioritised by the Responsible Investing Committee. As a specialist boutique asset manager with focused resources, we endeavour to leverage relationships to engage in collective engagement when appropriate. We have decided to particularly focus on initiatives related to Climate Change and Carbon Risk and have been involved in a number of initiatives in this area. We are members of the Collaboration Platform (formerly the UNPRI Clearinghouse) which is a forum that allows PRI signatories to pool resources, share information and enhance influence on ESG issues

During 2020, at Firm level, we directly engaged with 38 companies, and were involved with the leading investor groups for collaborative engagement with 7 companies and on 5 issues, as well as with a much larger number of companies as part of group collaborative engagements where we were not among the leading investor group.

ESG Reporting and Monitoring

We are committed to providing a high level of support and transparency to our clients.

- We calculate and show the overall ESG scores of our global equity portfolios relative to their benchmarks.
- We also show the portfolio's overall ESG style exposures which is externally calculated and verified.
- We publish our annual submission to the PRI.
- We publish an annual and six-monthly report on our firm-wide engagement and proxy voting activities (not related directly to FDC which undertakes its own proxy voting).
- Overall monitoring of ESG across the firm and within the global equity strategies falls within the remit of the Responsible Investment Committee.