

# SUSTAINABILITY POLICY

(amended 07 MARS 2022)

## 1. INTRODUCTION

RAM Active Investments (Europe) SA and RAM Active Investments SA (hereinafter “RAM”) are committed to responsible investment.

This Policy has a dual **objective**:

- i) to define an ESG due diligence process for potential investments of the UCITS under management (hereinafter the “Funds”) and
- ii) to improve RAM’s knowledge regarding the identification and measurement of adverse impacts on the environment and the society caused by investments. The ultimate objective is to avoid or reduce such adverse impacts through different actions which may be defined out of the scope of this Policy. Preventing and mitigating adverse impacts may in turn also help RAM to maximise positive contributions to society, improve stakeholder relationships and protect its reputation.

With the aim to perform an ESG due diligence of the potential investments, RAM has established some key exclusions and indicators. It is RAM’s opinion that it is neither possible to identify all impacts at once nor to address them all at once. Therefore, RAM works on a risk-based approach and prioritises the measurement of those impacts which, based on Funds’ investments, could have a higher likelihood of creating adverse impacts on people, the environment and the society.

Methodologies, engagement and actions foreseen may evolve to adapt to the risks and regulations. As a result, this Policy is ongoing, responsive and changing. RAM aims to progressively improve its systems and processes to reduce ESG risks and tackle better the principal adverse impacts of the investments.

Based on RAM’s size, business model and Funds, RAM may apply the proportionality principle without damaging the key objectives of this Policy.


Adherence to international standards and meaningful engagement with relevant stakeholders are also important elements to address potential adverse impacts on sustainability factors. Although RAM has a standalone *Voting and Engagement policy*, the below Section 4 makes reference to some ESG-focus elements which are relevant in the context of this Policy.

Any reference to RAM includes and applies to its Branch in Italy (RAM Active Investments (Europe) S.A. - Succursale Milano, Via Montenapoleone 14 I-20121 Milano).

## 2. ORGANISATION

RAM sets clear expectations to the Investment Managers<sup>1</sup>, supporting them by providing both guidance and tools to enhance sustainability factors. In this regard:

The **ESG-CSR Committee** meets at least bi-monthly to cover all ESG aspects from a compliance, commercial and operational standpoint. Experts from different teams participate in the ESG-CSR Committee to deal with the evolving ESG challenges. Key ESG decisions are reviewed and validated by this Committee before approval of the Board of Directors. Some of its main functions are detailed below:

-  Define RAM’s approach and best ways for implementation, decides and reviews RAM’s list of stocks that are monitored or excluded, defines engagement targets.

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<sup>1</sup> RAM Active Investments SA and Nexus Investment Advisors Limited

- 🌱 Define screening criteria for companies: screening criteria are applied through a systematic monitoring of companies to identify holdings for further assessment, engagement, and/or exclusion. Conjunctly, a discretionary approach can also be applied to exclude certain issuers which are associated to publicly available negative information.
- 🌱 Exercise Active Shareholder Stewardship: RAM has started a process to perform direct engagement and take part in collaborative engagement. In addition, RAM applies a voting policy to the full range of its Funds to which RAM acts as investment manager or delegated investment manager.

The **ESG Advisory Committee** was formed to advise and inform the members of each SICAV's Board of Directors on environmental, social and governance issues in relation to the Funds' activities, and primarily on portfolio strategies and positions. This Committee operates within 3 Funds: *RAM (LUX) Systematic Funds SICAV*, *RAM (LUX) Tactical Funds SICAV* and to *RAM (LUX) Tactical Funds II SICAV*.

Each SICAV's Board of Directors grants the following powers to the ESG Committee (and/or individually to its members):

- 🌱 to represent the SICAV in ESG marketing activities;
- 🌱 to look into specific questions connected to environmental, social and governance (ESG) issues on behalf of the SICAV;
- 🌱 to report to the stakeholders on ESG matters and management of investments on behalf of the SICAV.
- 🌱 to provide clarifications on investments and strategies.

This Committee's scope is without limit with respect to the securities covered or the topics examined and discussed. Nonetheless, the SICAV's Board of Directors will ask it to focus on ESG issues related to the Funds' portfolio, investment strategies, or companies' marketing activities

### 3. ESG FACTORS AND METHODOLOGY

#### 3.1 Three factors

**Environment:** this factor broadly relates to a company's ability to control their direct and indirect environmental impact, by limiting their energy consumption, reducing their greenhouse emissions, fighting resource depletion, protecting biodiversity etc. It also considers an issuer's contribution to building a positive *Environment* in the territories in which it operates.

**Social:** this factor broadly relates to how a company measures and defines a strategy to develop its human capital. This factor has a dual meaning: the social aspect linked to a company's human capital, and the one linked to human rights in general.

**Governance:** this factor is set to ensure that a company's management is able to organize a collaborative process between the different stakeholders that guarantees it will meet long-term objectives. This factor assesses the quality of companies' corporate governance practices and the integration all of its stakeholders in its development model, not only its stakeholders, but also its employees, clients and suppliers, local communities and the environment.

### 3.2 METHODOLOGY

**DATA:** RAM's investment objective mainly based on an investment process that seeks to perform across different market cycles while incorporating ESG characteristics. Information is queried from different data sources in order to construct a wide range of fundamental and technical factors, which compose the basic elements of the investment strategies. In this regard, the increasing availability of ESG data through data sources/providers allows:

- 🌱 for better extracting and measuring of identifiable ESG characteristics;
- 🌱 the provision of value-added information to complement traditional sources;
- 🌱 for improved forecasting of equity returns, volatility and volume.

Although RAM performs its best efforts to obtain reliable data however it is possible that some sources are not accurate, available or complete. RAM believes that data providers are currently developing more advanced tools to increase data availability and reliability to face a growing demand of data.

#### **INVESTMENTS:**

Integrating ESG factors into the investment process should have a measurable positive impact on the ESG characteristics of the portfolios.

Thanks to RAM's in-house research, RAM is able to identify several ESG factors that have a positive impact on the long-term performance of invested companies. When suitable, RAM aims to implement in the investment strategies the relevant ESG factors not only to control ESG risk, but to improve the risk-return profile of the strategies.

RAM Funds are classified either as article **6**, **8** or **9** according to the *Sustainable Finance Disclosure Regulation (SFDR)*. The categorisation of Funds is a process which includes the validation of different experts and the ESG-Advisory committee, the ESG-CSR Committee and the Board of Directors of RAM.

- 🌱 For Funds classified as article **8** or **9** of the SFDR, the Investment Managers seek the optimal combination of ESG data and fundamental data. ESG data complements fundamental financial data to generate sustainable returns. Both RAM Art.8 and Art.9 Funds consider sustainability risks and principal adverse impacts on sustainability factors.

The methodology focuses on a dynamic list of exclusions and on an active selection of stocks or issuers obtained from the ESG screening applied to the whole investment universe.

The Investment Manager's infrastructure and investment process applies to the entire portfolio of each Fund to identify prospective signals to select companies with attractive potential that deliver sustainable returns over the market cycle by setting clear ESG targets. The Investment Manager follows an advanced research process to avoid unwanted biases and applies a multi-data provider approach to identify reliable sources of information and mitigate methodological biases.

Although the Investment process is meticulous and continuously reviewed, there is a risk that an investment evolves and is not any more meeting the ESG criteria. In such circumstances, the Investment Managers can quickly launch a process to remedy the situation and stay close to the objective and investments defined in the prospectuses.

- For Funds classified as article 6 of the SFDR, the Investment Managers deemed also necessary to apply some key exclusion to the whole investment universe. However, the ESG criteria don't lead the investment process as the Fund can reach its objective without an ESG focus. In this regard, RAM Art.6 Funds may or may not consider the sustainability risks and the adverse impacts on sustainability factors.

Please refer to the below table for further information on the methodology applied per type of Fund.

	Exclusions		ESG Integration	Active Ownership	Reduce footprint	Sustainability themed investing	SDG Investing (13)
	AML	ESG					
RAM Art.6 Funds	✓	✓		✓ *			
RAM Art.8 Funds	✓	✓	✓	✓ *			
RAM Art.9 Funds	✓	✓	✓	✓	✓	✓	✓

\*in certain holdings which are present across Funds.

### Indicators

RAM considers the following macro criteria in most Funds promoting ESG characteristics and/or with a sustainable investment.

	E	S	G
<b>Macro criteria considered</b>	<ul style="list-style-type: none"> <li>Emissions</li> <li>Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Social and employee matters</li> </ul>	<ul style="list-style-type: none"> <li>Bribery and Anti-corruption</li> </ul>

The measurement of the above macro-criteria is done through different indicators which are in constant review and may evolve after approval of the **ESG-CRS Committee**. These indicators allow RAM to measure the adverse impact of investments on sustainability factors.

The below matrix covers the indicators which are considered as at the date of this Policy:

	<b>E</b>	<b>S</b>	<b>G</b>
<b>Indicators</b>	<ul style="list-style-type: none"> <li>🌱 Carbon Emissions Reduction Target</li> <li>🌱 Carbon Emissions scope 1</li> <li>🌱 Carbon Emissions Scope 2</li> <li>🌱 Carbon Emissions Scope 3</li> <li>🌱 Sox Intensity</li> <li>🌱 NO x Intensity</li> <li>🌱 Biodiversity and Land Use Management Score</li> <li>🌱 Biodiversity and Land Use Weighth</li> <li>🌱 Enterprise Value Including Cash</li> <li>🌱 Raw Material Sourcing Weight</li> </ul>	<ul style="list-style-type: none"> <li>🌱 Combined CEO/Chair</li> <li>🌱 Anti-Discrimination</li> <li>🌱 Child Labor</li> <li>🌱 Forced Labor</li> <li>🌱 Freedom of Association</li> <li>🌱 Health and Safety</li> <li>🌱 Minimum Wage</li> <li>🌱 Paid Overtime</li> <li>🌱 Supply Chain Labor Standards weight</li> <li>🌱 Total recordable Injury Rate</li> <li>🌱 Fatalities</li> </ul>	<ul style="list-style-type: none"> <li>🌱 Bribery and anti-corruption policy</li> <li>🌱 Female Directors</li> <li>🌱 Total Directors ex-management board</li> </ul>

Not all indicators may apply to all Funds.

## Exclusions

The Exclusion list is applied to all Funds and have stricter ESG commitment within RAM Art.8 and Art.9 Funds given their significant ESG integration.

RAM will exclude a company when there is an important risk that it contributes to or is responsible for key ESG issues that RAM has identified as non-sustainable, in contradiction to RAM fundamental values or against international laws, norms and conventions. RAM only excludes securities and issuers on the long side of the book and continue to be able to short those names within the alternative strategies.

**Exclusion decision:** the exclusion list is based both on data from external data providers and on RAM's own in-house analysis of companies. Some companies are excluded on the basis of several criteria and issues identified. The decision to exclude a company is based on assessment of the issue by [RAM ESG-CSR Committee](#) based on the criteria described below. Ad-hoc criteria can be considered in certain cases.

After assessment, if the excluded companies demonstrate improvements in their policies and business operations, they may be reinstated in RAM investable universe.

### Normative Exclusions

Companies engaging into Controversial behaviour or serious breaches of UN Global Compact, International Labor Organization (ILO), and other multi-national standards are excluded from investment universe across the RAM AI fund range.

<ul style="list-style-type: none"> <li>🌿 UN Global Compact Violation individuals in situations of war or conflict</li> </ul>	<ul style="list-style-type: none"> <li>🌿 Serious or systematic human rights violation, such as murder, torture, deprivation of liberty, forced labour and the worst forms of child labour</li> </ul>	<ul style="list-style-type: none"> <li>🌿 Severe environmental damage, acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions</li> </ul>
<ul style="list-style-type: none"> <li>🌿 Suspected of accounting fraud, corruption, lack of minority shareholder protection</li> </ul>	<ul style="list-style-type: none"> <li>🌿 Serious ethical violations or controversies over Animal Testing</li> </ul>	<ul style="list-style-type: none"> <li>🌿 Unsustainable Palm Oil</li> <li>🌿 Recreational Cannabis</li> </ul>

## Activity-based Exclusions

RAM AI conducts Activity-based exclusions with thresholds varying depending on our funds' sustainability objectives. The threshold level refers to the fraction of revenue the Company generates from any controversial activity. We have General exclusion thresholds applying to the broad RAM fund range, and more limiting exclusion thresholds (lower thresholds) are applied to all the RAM Systematic Equity funds.

### Weapons Activity-based Exclusions

Category	Equity Funds	Fixed-Income, Macro and Multi Asset Funds
<b>Controversial Weapons</b>		
Anti-Personnel Mines	0%	0%
Biological and Chemical Weapons	0%	0%
Blinding Laser Weapons and Undetectable Fragments	0%	0%
Cluster Munitions	0%	0%
Depleted Uranium	0%	0%
Incendiary Weapons	0%	0%
Nuclear	0%	5%
Defense & Weapons	5%	50%

Specification on nuclear weapons involvement:

- 0% tolerance for manufacturers of nuclear warheads and/or whole nuclear missiles. Includes assembly and integration of warhead and missile body, and operational/management contracts of government-owned facilities on nuclear warhead and missiles manufacturing.
- 0% tolerance for manufacturers of components that were developed and/or significantly modified for exclusive use in nuclear weapons. Includes operational/management contracts of government-owned facilities on nuclear warhead and missiles manufacturing.
- Provided that the two previous criteria on nuclear weapons are met with a 0% tolerance, a maximum 5% overall revenue threshold from nuclear weapons is permissible (direct and indirect), excluding revenues from ownership and dual use components/platforms



## Consumer Products & Services Activity-based Exclusions

Category	Equity Funds	Fixed-Income, Macro and Multi Asset Funds
<b>Adult Entertainment</b>		
Production	0%	na
Related Products and Services, Retail and Distribution	5%	na
<b>Gambling</b>	5%	na
<b>Tobacco</b>	5%	10%

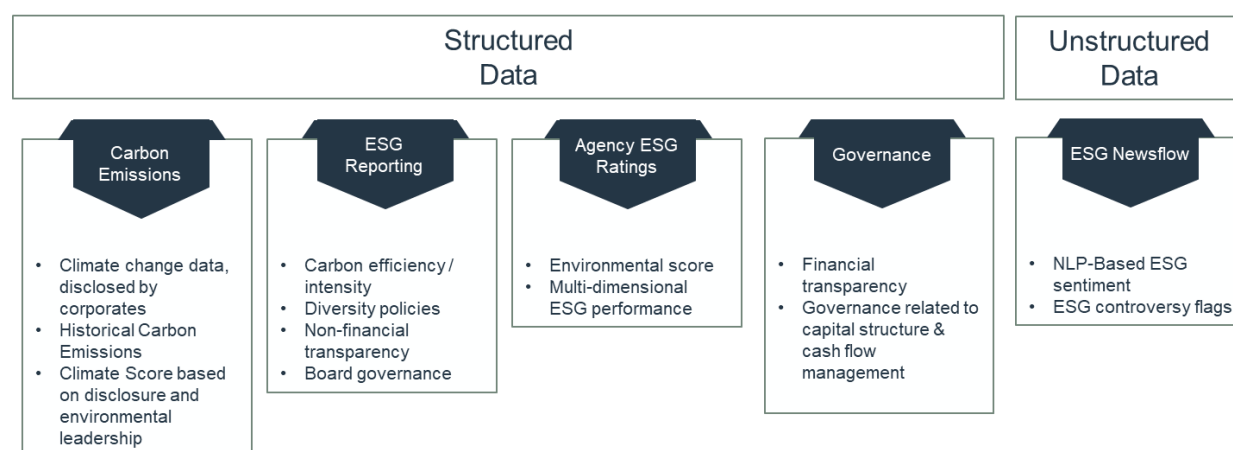
## Energy and Fossil Fuels Activity-based Exclusions

Category	Equity Funds	Fixed-Income, Macro and Multi Asset Funds
<b>Artic Drilling</b>	5%	na
<b>Coal</b>	5%	10%
<b>Nuclear Power</b>	30%	na
<b>Shale &amp; Oil Gas</b>	5%	na
<b>Tars sands</b>	5%	na
<b>Thermal Coal Power</b>	10%	na
<b>Ultra Deep-Sea Drilling</b>	5%	na

### 3.3 ESG INTEGRATION AND ESG DATA SOURCES

The Investment Manager uses third party provider ESG ratings (MSCI ESG) as well as internal ESG ratings based on data gathered by different data providers<sup>2</sup> to assess with more granularity the sustainability of our investments.

**For equities and corporate issuers**, to assess the sustainability of an investment, RAM leverages the growing number of ESG data sources (internal and external) to create investment inputs that measure clear ESG characteristics, that can carry value-added information from traditional sources and can improve potentially the return and risk control. RAM's main external data providers are: CDP, Bloomberg, Factset and MSCI ESG. See below RAM's different types of data sources:



**For sovereign bonds**, RAM relies on data from the World Bank to generate a rating for each constituent on E, S, and G in order to assess the different aspects' value of the E, S, and G spectrum and define a rating for each issuer we invest in. RAM relies on more than 30 factors to assess the sustainability of an issuer, amongst which:

- 🌿 CO2 emissions from consumption of fossil fuel
- 🌿 Forest area % of land
- 🌿 Freshwater withdrawals
- 🌿 Percentage seats held by women in parliament
- 🌿 GINI income inequality
- 🌿 Political risk score
- 🌿 Control of corruption, etc

### 3.4 ASSESSING CO2 EMISSIONS

RAM believes assessing the carbon footprint of a portfolio is an important tool to support climate reporting and risk assessment and it is a key element of transparency and good governance for RAM's investors. For equities and corporate fixed-income RAM assesses carbon emission of the respective portfolios using Scope 1 and Scope 2 data for RAM's standard report, but also closely monitoring scope 3 emission data. RAM uses metrics as

<sup>2</sup> Non-exhaustive list: MSCI ESG, Worldbank, CDP, Bloomberg, StreetAccount

defined by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), which is backed by the central banks of the G20 countries.

While it exists now a standard to estimate carbon footprint of a portfolio for Equities and Corporate fixed Income, sovereign bonds have remained largely unexamined from a carbon risk and reporting perspective due to lack of appropriate metrics and actionable insight.

Despite the fact the industry has not yet a standardized reporting and assessment of carbon emissions for sovereign bonds, RAM has worked on a methodology to assess carbon emission of our sovereign exposure based on CO2 emissions (kg per PPP \$ of GDP). It helps to have an exhaustive coverage of the respective portfolio impact on climate change.

#### 4. ENGAGEMENT POLICY

RAM believes that the proper attention to corporate [governance, environmental and social](#) matters is key to a long-term value creation, in line with our fundamental approach to investing. As an institutional investor, RAM's fiduciary role is always to act in the best interest of investors and beneficiaries and to help clients harness the potential of markets to reach their respective goals.

##### 4.1 THEMATIC ENGAGEMENT

RAM's engagement focuses on companies that severely and structurally breach principles of the [United Nations Global Compact](#) or of other international convention in the areas of [human rights, labour, environment and anti-corruption](#).

RAM believes that a constructive dialogue with the companies in which the Funds invest is more effective than excluding companies from our investment universe. If the engagement does not lead to the desired change, RAM can decide to exclude a company from the investment universe.

##### 4.2 DIFFERENT FORMS OF ENGAGEMENT

Recognizing the value of different forms of engagement, RAM independently carries out individual engagements as well as collaborative engagements with other investors or institutions.

For instance, RAM believes that the best way to promote improved market practices is through active membership in collaborative platforms such as The Institutional Investors Group on Climate Change (IIGCC), United Nations Principles for Responsible Investment (UN PRI), and Carbon Disclosure Project (CDP), Access to Medicine Foundation, Climate Action 100+. For each of these platforms, RAM identifies and prioritizes its collaborative engagement activities within these memberships. Whilst RAM might use such platforms for collaborative engagement, RAM will not outsource its engagement responsibilities to third parties.

##### 4.3 ENGAGEMENT THROUGH VOTING

The voting scope is made up of companies for which aggregated positions meet one of the four following conditions: i) is a holding of the STABLE CLIMATE GLOBAL EQUITIES or

GLOBAL SUSTAINABLE INCOME EQUITIES fund; ii) qualitative evaluation on the relative importance of vote, iii) ad hoc demand or iv) local market regulation requirements. These factors ensure that RAM concentrates its efforts on positions held in a wide proportion in our assets under management and participate efficiently and effectively at shareholders' meetings of companies in which RAM's collective investment schemes hold a significant proportion of the capital.

It is RAM's policy to primarily vote on shareholder proposals following guidance from the MSCI ESG Template, as implemented by the proxy voting advisor. The decision by RAM to retain the services of the proxy voting advisor and the ESG Template is based principally on the view that the services provided, subject to oversight by RAM, generally will result in proxy voting decisions which serve the best sustainable economic interests of the holding and consequently the CIS and its investors.

Please refer to the *Voting Rights and Engagement Policy* published on the website for more information <https://ram-ai.com/en/regulatory/>

## **5. LABELS, CODES, INTERNATIONAL STANDARDS AND TRANSPARENCY INFORMATION**

RAM's responsible investment guidelines are framed within the UN-backed [Principles for Responsible Investment](#), which RAM signed in 2015. The six Principles for Responsible Investment offer a menu of possible actions for incorporating ESG issues into investment practice.

RAM Active Investments SA is also a member of [Swiss Sustainable Finance](#) (SSF) that aims to strengthen the position of Switzerland in the global marketplace for sustainable finance by informing, educating and catalyzing growth. Furthermore, it is also a CDP investor member.

### **Approval and effective date**

The latest version of this Policy was approved by the Board RAM Active Investments (Europe) on xx xx 2021 and it is immediately effective.

## IMPORTANT INFORMATION

*This Policy does not represent neither an offer nor an invitation to buy or sell any RAM Funds and may not be interpreted as an investment advisory service. Publication is done for regulatory<sup>3</sup> and transparency purposes.*

*Opinions included in this material constitute the judgement of the Investment Managers and RAM Active Investments (Europe) at the approval date of this Policy and may be subject to change without immediate publication on the website. In case of questions, investors are invited to contact RAM Active Investments via email or phone.*

*We understand that this material is solely for the attention of professional investors as defined in the Directive 2014/65 UE dated 15 May 2012 and in Switzerland for the attention of qualified investors as defined in Swiss applicable Laws and Regulations.*

*RAM Funds are not offered for sale in the United States or its territories and possessions, nor to any US person (citizens or residents of the United States of America). The opinions expressed herein do not take into account each customer's individual situation, objectives or needs. Customers should form their own opinion about any security or financial instrument mentioned in this document. Prior to any transaction, customers should check whether it is suited to their personal situation and analyse the specific risks incurred, especially financial, legal and tax risks, and consult professional advisers if necessary. Investors are advised to base their decision whether or not to invest in fund units on the most recent reports and prospectuses. The prospectus, KIID, articles of association and financial reports are available free of charge from the SICAV's head office, the Management Company RAM Active Investments (Europe) S.A., 51 av. John F. Kennedy L-1855 Luxembourg, Grand Duchy of Luxembourg., RAM Active Investments S.A., in Switzerland and the Funds' representative in countries where the funds are registered.*

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<sup>3</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector