

RESPONSIBLE INVESTMENT POLICY

MAY 2022

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OUR RESPONSIBLE INVESTMENT APPROACH

Banor Capital Ltd (BC) mission is to generate positive risk adjusted returns with responsibility through fundamental analysis, operational excellence, and by being ESG-proactive. By ESG-proactive we mean the integration of environmental, social and governance (ESG) issues into our investment processes and product development.

With more than EUR 2 billion under management, BC believes it is part of its fiduciary duty to deliver returns by being a responsible investor.

BC has taken steps to integrate certain ESG factors into the research and investment decisions. In terms of governance, the firm acknowledges that different asset classes and investment strategies require different approaches to ESG integration. The incorporation of ESG in the Firm's investment process will follow an inclusive and exclusive approach. BC has allocated Internal resources to develop a framework of ESG research on the investible universe.

BC has started to shaping policies, procedures and investment products in order to ensure that the companies we are invested in meet our expectations of sound ESG performance. BC's Responsible Investment Policy applies to all our funds. It does not apply to external funds nor holdings in fund of funds which holds index derivatives or external funds. In our selection process for products managed by external managers, the manager's willingness and ability to address ESG is one of the factors we promote and consider.

We recognize that integrating ESG issues forms part of our fiduciary duty to clients and beneficiaries. By combining financial performance with ESG insight we strive to offer clients responsible solutions. We believe that we can add value to our clients by actively considering ESG in our analysis and investment decisions - in particular through our investment research and performance monitoring.

The Responsible Investment strategy and activities are overseen by the Responsible Investment Committee (RIC). The RIC includes members from the Senior Executive Management team and is chaired by Banor Capital's CEO.

THE INVESTMENT PROCESS

BC is committed to promoting and utilising ESG best practices where possible.

Banor Capital Ltd has signed the UN Principles for Responsible Investments (PRI) on 13th December 2018 and is thus committed to integrating ESG factors into its investment analysis, decision-making processes and active ownership practices. The UNPRI are steadily becoming the global standard in responsible investing, it was therefore a natural framework for the Firm to adopt in order to further strengthen its on-going commitment to responsible investing and ESG matters generally.

BC's ownership activities are aimed at promoting sustained profitability and risk management in portfolio companies in order to protect shareholder value and enhance long-term returns. We believe a sound corporate governance structure is essential for creating long-term shareholders value. The board of directors and senior management are accountable to investors for protecting and generating value over the long term. We expect the board of directors of investee companies to oversee and monitor the effectiveness of the company's governance of environmental, social and business ethics-related issues and risk, and protect shareholder rights.

We use both third party research and proprietary tools to evaluate ESG sustainability when selecting securities. This focus of our research is designed to identify "best-in-class" practices in the sectors concerned.

We analyse the companies' sustainable financial statements and we meet periodically the management of the businesses in which we invest. After the analysis, we will weight an investment based on a wholistic approach to the portfolio whilst comparing our analysis of the company with the ratings assigned by the international rating agencies¹.

ESG INTEGRATION & GOVERNANCE

We set clear expectations on corporate ESG management and performance in our investments and ownership activities and communicate these expectations to companies we are invested in and other stakeholders. As a responsible investor, we expect that investee companies operate in line with our commitment to the UNPRI and in observance of existing laws and regulations, international humanitarian law and international conventions, as well as standards for sound environmental, social and governance performance.

¹The norms-based screening is not applied on investments in derivatives or ETFs and to discretionary mandates as per prior consent from the client only.

Mandatory exclusions

BC does not invest in companies that are involved in the production, development or maintenance of illegal weapons, land mines and cluster munitions. In addition, Banor will apply a filter which excludes investments in financial instruments issued by companies whose revenues derive mainly from the sales of nuclear weapons, from gambling, from sales of electricity produced by coal-fired power stations. These companies are checked on a yearly basis at least. Exclusions lists might be communicated to clients if needed or requested. Clients might provide us specific exclusion lists to respect in their funds.

Discretionary exclusions

Companies that do not respect principles in the field of human rights, labour, environment and anti-corruption, criteria which are mainly derived from the UN Global Compact's ten principles: update on a yearly basis as a minimum (only applicable for funds committed to comply with this exclusions list).

- **Human rights**

While protecting and fulfilling human rights is a legal obligation and the responsibility of governments, it is widely recognized that all businesses have the potential to impact human rights.

Poor management conflicts with the long-term interest in promoting responsible and sustainable development and may impact companies' license to operate.

We expect companies to obey internationally recognized human rights principles and to prevent and manage its impact on human rights. Human rights-related issues include complicity in human right abuses, modern slavery and child labour, occupational safety and health, the rights of indigenous people and displacement of local communities, freedom of association and collective bargaining and international humanitarian law.

We might exclude companies which behaviours would not meet our standards.

- **Companies with business operations in conflict areas**

Business operations in areas affected by conflict are exposed to higher risk due to unstable political conditions, weak regulatory frameworks, and pervasive violence. Companies may, knowingly or unknowingly, have business operations and products with high

potential impact on the conflict or human rights violations.

As a responsible investor, we expect companies to conduct due diligence as defined by the UN Guiding Principles on Business Human Rights, become more transparent and report on their political risk and impact analysis, including human rights impact. Companies also need to assess and report on how their business operations or products may directly or indirectly impact an ongoing conflict or human rights violation and how this may have a material impact on the company as well as their stakeholders. Companies should also enable stakeholders to safely report any human rights violations.

We might exclude companies which behaviours would not meet our standards.

- **Climate change**

Climate change is one of the single largest threat to our economy and BC is working on an ongoing basis to assess climate change risk and the impact of the low-carbon transition on sectors and companies. We support the TCFD recommendations and we want to continue to promote increased transparency, development of tools and methods to manage climate-related risks and opportunities and contribute to best practice in the industry. We will also aim to align our portfolio with the Paris agreement in the long term as well as further reduce the financial risk related to climate change in our portfolios.

We might exclude companies which behaviours would not meet our standards.

- **Corruption**

The evidence of a correlation between corrupt business practices and the negative effects on long term financial return is growing. Corruption induces great business-related costs and market inefficiency and hinders economic, political and social development. Corruption is often aided

by the use of opaque company and ownership structures, use of joint ventures and offshore companies and non-transparent jurisdictions. More and more countries are adopting and strengthening anti-corruption legislation and enforcement and there is more international co-operation in regards to anti-corruption enforcement.

Transparency requirements, both voluntary and mandatory, are being developed requiring companies to disclose information on corporate and ownership structures, on their anti-corruption programs, and do country-by-country reporting on taxes and

government payments.

As investors we demand that businesses take a proactive approach towards corruption, implement adequate anti-corruption measures and improve transparency.

We might exclude companies which behaviours would not meet our standards.

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ESG RELATED INITIATIVES

In addition to becoming a signatory to the UNPRI, BC has taken a number of steps towards engaging in ESG related initiatives across its business including the below projects.

- The **BANOR FOR UNICEF** project was conceived to support the “Fighting Child Mortality” initiative launched by UNICEF to save children’s lives throughout the world. All too often, babies and children under five die from causes that are entirely preventable. BC supports UNICEF’s campaign through the Banor SICAV Euro Bond Absolute Return fund, with 40% of fees donated to the Italian National Committee for UNICEF. Thanks to BC’s support, UNICEF has been able to distribute over 1,600,000 water purification tablets, to assist 179 children against severe malnutrition and vaccinate just over 25,000 children against measles.
- Protecting the environment is becoming an increasingly high priority for civil society, including investors and asset managers. **BANOR** is supporting **MAREVIVO** with several projects with the aim to safeguard oceans and biodiversity.

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PROMOTION OF BEST PRACTICES AND TRANSPARENCY

For an investor timely and adequate information is key. We expect companies to report on materiality; i.e. aspects that reflect a company’s significant economic, environmental and social impacts and value and which can substantially influence the analysis and decisions of investors and other stakeholders.

We support standardized and integrated reporting which incorporates material sustainability information with financial information.

We strive to be transparent in regards to how we work and incorporate ESG in our responsible investment decisions and activities. We regularly report via our website, through our Annual Report and through the UNPRI reporting framework.

BC believes that ESG should be applied globally and embedded within the Firm’s culture in addition to being a tool that enhances the investment process alongside the financial analysis carried out by the investment teams.

In the last few years, BC has placed a substantial emphasis on ESG

through its advertising campaigns (BANOR for UNICEF and BANOR for MAREVIVO).

The Firm also endeavours to collaborate as much as possible with regulatory and other bodies, peer institutions and investors on ESG best practices.

BC is contributor of CFA Guidebook dedicated to the ESG Investments with a publication on Value Investing and ESG. Published by CFA Society Italy.

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CONTACT

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