MFP Sicav p.l.c. Raphael's Ethical Choice fund

Sustainable Investment Policy

Of

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Content

High-level context

The landscape of sustainable and socially responsible finance is shaped by global principles and international frameworks such as:

- the UN Global Compact (UNGC)
  Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence, and know that good practices in one area do not offset harm in another. By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.
  The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.
  Human Rights
    - Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
    - Principle 2: make sure that they are not complicit in human rights abuses.

  Labour
    - Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
    - Principle 4: the elimination of all forms of forced and compulsory labour;
    - Principle 5: the effective abolition of child labour; and
    - Principle 6: the elimination of discrimination in respect of employment and occupation.

  Environment
    - Principle 7: Businesses should support a precautionary approach to environmental challenges;
    - Principle 8: undertake initiatives to promote greater environmental responsibility; and
    - Principle 9: encourage the development and diffusion of environmentally friendly technologies.

  Anti-Corruption
    - Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. The UN Principles for Responsible Investing (UN PRI)

- The UN Sustainable Development Goals (SDG's)
  The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

  - No Poverty
  - Zero hunger
  - Good health and well-being
  - Quality education
  - Gender equality
  - Clean water and sanitation
  - Affordable & clean energy
  - Decent work and economic growth
  - Industry innovation and infrastructure
  - Reduced inequalities
  - Sustainable cities and communities
  - Responsible consumption and production
  - Climate action
  - Life below water
  - Life on land
  - Peace, justice and strong institutions
  - Partnerships for the goals

- the UN Principles for Responsible Investing (UN PRI)
  As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

  We also recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

  - Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
  - Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
  - Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
  - Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
  - Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
  - Principle 6: We will each report on our activities and progress towards implementing the Principles.

  The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

On the regulatory side, the SFDR (Sustainable Finance Disclosure Regulation) and the EU Taxonomy have also been drafted to promote sustainable investments and a sustainable economic development.

MFP Sicav plc Raphael's Ethical Choice fund is using these frameworks and regulations as a guidance for the management of the portfolio.

Sustainability strategy of the fund

With respect to MFP Sicav plc Raphael's Ethical Choice fund, we have defined several sustainability strategies that will be used in order to screen the eligibility of the stocks we can invest in. The sustainability strategy is composed of the following three sub-strategies:

- Negative / exclusionary screening
- Integration of ESG factors / positive screening
- Norms-based screening

Negative/exclusionary screening:

Invest4Growth Group actively advocated sustainable investing. As such, we believe that some products and business practices are detrimental to society and incompatible with sustainable investment strategies. Therefore, the first sustainability strategy we apply to determine the companies we may invest in consists of the application of an exclusionary screening. We apply exclusion criteria on the basis of which a company may be excluded from the Investment Universe, depending on the level of involvement of the company in the concerned controversial products or activities.

The controversial products and activities are: animal welfare, armaments, fossil fuels, gambling, and tobacco.

- **Animal welfare**:
  Animals have played an important role in human societies since time immemorial, whether for farming, for transporting goods or people, or as pets. Animal welfare concerns have been on the agenda of numerous organisations and animal activists for many years. Legislation in different countries, and at the international level, forbids cruel treatment of animals; there are strict regulations in place regarding the use of animals for testing.
  However, there is still a great deal of controversy regarding the treatment of animals, for example where they are used in laboratories to test chemicals or cosmetics, or for entertainment in a circus. Practices contrary to animal welfare may serve as a basis for not including companies in the Investment Universe.
  Companies that use animal tests for the production of cosmetics, semi-cosmetics and household products are eligible for the Investment Universe, depending on how they implement the 3R-principles. This principle stands for:
  - Replacement: Methods which avoid or replace the use of animals.
  - Reduction: Methods which minimise the number of animals used per experiment.
  - Refinement: Methods which minimise animal suffering and improve welfare.

- **Armaments**:
  International law on armament and war aims to strike a balance between the legitimate right of self-defense and the reduction of human suffering and killing. There are many laws regulating warfare and the use of arms. A number of arms are explicitly forbidden under

international law for any purpose as they cause disproportionate and/or indiscriminate suffering. These arms include: anti-personnel landmines and cluster munitions; nuclear, biological and chemical weapons; depleted uranium weapons; blinding laser weapons; and incendiary weapons.

- **Fossil fuels**:
  The transition to a low carbon society - and minimizing global temperature increase - requires urgent action. However, ending dependency on fossil fuels will not happen overnight. While higher energy efficiency and technological innovation may be elements of an effective climate policy, a transition to low or zero-carbon energy is necessary for realizing the objectives agreed upon in the Paris agreement.

- **Gambling**:
  Gambling is defined as an activity of engaging a game of chance, for money or other stakes. For the majority of people, gambling has no negative consequences. However, obsessive gambling can lead to severe individual and societal problems. Gambling can lead to difficulties related to financial problems and the ability to function properly at work, school with family or friends. On average, 2% of the population suffers from a gambling addiction or is prone to obsessive gambling.
  Gambling is legal in most countries, albeit under strict conditions: a license is typically needed to organize games of chance, run a casino or advertise gambling. Taking the above-mentioned issues into account, MFP Sicav plc Raphael's Ethical Choice fund decided to include gambling as an exclusionary criterion in its methodology.

- **Tobacco**:
  There is overwhelming evidence that the use of tobacco products causes serious health problems. Various data from the World Health Organisation indicate that tobacco kills six million people each year. Up to half of tobacco users die as a direct result of tobacco use. In addition to the risks to tobacco users' health, tobacco production and use also causes other problems:
    - Second-hand tobacco smoke exposure causes more than 600 000 premature deaths per year.
    - Child labour in tobacco farms in Argentina, Brazil, China, India, Indonesia, Malawi and Zimbabwe.
    - Tobacco companies lobbying, aimed at influencing public health legislation, advertising and marketing laws, as well as scientific opinion.

Exclusion Criterion	Sub-category	Max. authorised percentage	definition
Animal welfare	Production of non-medical products tested on animals	0%	This category includes: Cosmetic goods: a substance or preparation intended to be placed in contact with the human body with a view exclusively or mainly to clean, perfume and/or change appearance; Semi-cosmetic goods: a product with a specific purpose that has a mild effect on the body but is not intended for use in the diagnosis, cure or prevention of disease. (e.g. Hair tonics, bath preparations.) Household products: Detergents for cleaning and laundry activities
	Production of medical and healthcare products tested on animals	100%	A pharmaceutical product is a product that treats, prevents or alleviates the symptoms of a disease (like antibiotics). A healthcare product is a product used to prevent sickness, or stay healthy (like vitamins).
	Products and services involving violations of animal welfare.	0%	Intensive farming operations, production or sale of fur
Armament	Production or sale of controversial weapons	0%	Production of armaments that are illegal under international law: cluster munitions, antipersonnel landmines, nuclear weapons, biological and chemical weapons, blinding laser weapons, incendiary weapons, depleted uranium weapons, white phosphorus weapons
	Production or sale of other offensive weapons	0%	Production of armament directly designed to kill, wound or destroy. This includes (civilian and military) firearms, bombs, missiles, torpedoes, combat vehicles, grenades, mines, ammunition and IT systems for weapon control.
	Production or sale of key parts/services for weapons	10%	Key parts include subsystems of the whole weapon system, as well as end products that are essential to weapon systems (e.g. combat equipment). Key services include services that are essential to weapon systems and combat (e.g. communication services and flight simulation training).

Exclusion Criterion	Sub-category	Max. authorised percentage	definition
Fossil fuel	Coal	0%	A combustible black or dark brown rock consisting chiefly of carbonised plant matter, found mainly in underground seams and used as fuel. This is the second-largest energy source, with a share of almost 29% of the global energy supply.
	Tar sands/oil sands and oil shale	0%	Oil sands are a mixture of sand, water, clay and bitumen. Steam is injected into the reservoir and warms the bitumen so it can be pumped to the surface through recovery wells. Oil sands account for a very small part of global energy supply, estimated at 2.6%, but the reserves are enormous. Given the declining production of existing oil and gas fields, some predict that oil sands will offset this decrease. Oil sands are very carbon intensive, even compared with conventional oil (+ 10% to +20%). Large amounts of energy are needed for extraction, refining and transportation. Its extraction creates enormous environmental damage, with large areas of boreal forest and other undisturbed landscape being destroyed.
	Unconventional fossil fuels	0%	Fracking or hydraulic fracturing is a common production technique for the extraction of unconventional fossil fuels (mainly tight gas, shale gas, coalbed methane, tight oil). Unconventional fuels are trapped in very tight or low permeability rocks where the pores are poorly connected, making it difficult for oil and natural gas to move through the rock to the well. Once the well is drilled, large volumes of water (mixed with some sand and chemicals) are injected underground under high pressure to create cracks in the rocks, thereby enabling extraction.

Exclusion Criterion	Sub-category	Max. authorised percentage	definition
Fossil fuel	Deep sea drilling and arctic drilling	0%	As existing oil and gas fields are running dry, companies are pushing into areas previously considered inaccessible, expensive or too risky to exploit. It is estimated that 30% of the world's undiscovered gas and 13% of the world's undiscovered oil are to be found in the area north of the Arctic Circle. Deepwater oil and gas reserves account for 7% to 8% of total production, but their shares are expected to increase strongly.
	Electric utilities	0-250 $kgCO^2/MWh$	Electricity generation is one of the largest contributors to global warming. Although total energy demand is expected to remain largely stable, demand for electricity is expected to double by 2050. Its share is thus expected to increase significantly, rising from just below 20% of the total energy supply in 2015 to more than 30% by 2050. Electricity will replace fossil fuels as an energy source, if it is generated by low-carbon means. Decarbonizing the generation of electricity is considered the most important strategy for limiting global warming, as it is easier to realise than in other activities (industry, buildings and transport). Therefore, zero or low carbon electricity is a key component of cost-effective mitigation strategies in achieving climate targets.
Gambling	Gambling devices and organisation of gambling	5%	Gambling is defined as the activity of playing a game of chance for money or other stakes. Gambling devices are for instance slot machines and table games (e.g. card games). Organisation of gambling includes the management of casinos, gambling websites, organising betting on such competitive events as animal races or sports matches.
	Distribution of gambling products/services	5%	This includes activities such as the sale of lottery tickets, provision of access to (online) betting services, gambling or casino operations.

Exclusion Criterion	Sub-category	Max. authorised percentage	definition
Tobacco	Production of core tobacco products	0%	Leaf tobacco, (e-) cigarettes, cigars, hand rolling tobacco, pipe snuff and chewing tobacco.
	Production of secondary (ancillary) tobacco products	0%	Production of products that do not contain tobacco themselves, but are specifically manufactured to be used in the consumption of tobacco products. E.g. tobacco sorting machines, filters, pipes, cigarette paper.
	Distribution of core tobacco products	10%	Distribution of leaf tobacco, (e-) cigarettes, cigars, hand rolling tobacco, pipe snuff and chewing tobacco.

Integration of ESG factors / positive screening

The second sustainability strategy we apply to determine the companies we may invest in consists of the integration of the ESG factors by the individual companies in the Investment Universe.

This strategy consists of the explicit inclusion of ESG risks and opportunities into traditional financial analysis. This type covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

> **Environmental** issues concern any aspect of a company's activity that affects the environment in a positive or negative manner. Examples include greenhouse gas emissions, renewable energy, energy efficiency, resource depletion, chemical pollution, waste management, water management, impact on biodiversity, etc.
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> **Social** issues vary from community-related aspects, such as the improvement of health and education, to workplace-related issues, including the adherence to human rights, non-discrimination and stakeholder engagement. Examples include labour standards (along the supply chain, child labour, forced labour), relations with local communities, talent management, controversial business practices (weapons, conflict zones), health standards, freedom of association, etc.
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> **Governance** issues concern the quality of a company's management, culture, risk profile and other characteristics. It includes the board accountability and their dedication towards, and strategic management of, social and environmental performance. Furthermore, it emphasises principles, such as transparent reporting and the realisation of management tasks in a manner that is essentially free of abuse and corruption. Examples include corporate governance issues (executive remuneration, shareholder rights, board structure), bribery, corruption, stakeholder dialogue, lobbying activities, etc.

The assessment of the ESG factors by the companies is being done through various sustainability indicators, such as mentioned in the pre-contractual disclosure document as well as by monitoring the PAI's (Principal Adverse Impact indicators) as defined by the RTS (annex supplementing Regulation (EU) 2019/2088) whereas we want to solely invest in companies that belong to the top-half of their sector with regards to their environmental impact and respect for social matters, which in fact comes down to positive screening. For this, we rely on data providers, such as Sustainable Platform, CDP, Bloomberg, Factset or Refinitiv. In the end, we aim to construct a portfolio that reaches a sustainable development profile that is clearly above the average of the universe.

The selection criteria of MFP Sicav plc Raphael's Ethical Choice fund include to invest in companies that overall, on the 3 dimensions of Environmental, Social and Governance have a scoring that put in in the best 50^{th} percentile of the Investment Universe. Exceptions can be made as some companies could be very close to the threshold and moving in the right directions or because we lack some data. Therefore, on a fund level, at least 80% of the fund's assets must fulfill the ESG criteria.

Norms-based screening

Within MFP Sicav plc Raphael's Ethical Choice fund, we add a third sustainability strategy that consists of norms-based screening. Norm-Based Screening is an established method in taking an investment decision. The method investigates the compatibility of potential investments and global norms as climate protection, human rights, working condition and action plans against corruption. Global norms are defined by several organizations: "OECD Guidelines for Multinational Enterprises", "Un Global Compact", and "Guiding Principles of Business and Human Rights". These guidelines provide a tool for assessing corporate conduct in relation to principles laid out in international conventions.

As this approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. The MFP Sicav plc Raphael's Ethical Choice will be referring to the global norms and principles set out in the UN Global Compact, which is the most common Norms-based screen. This typically involves judging a company against peers or certain minimum standards. Once a screen has identified companies or assets that violate these norms or standards the portfolio manager will divest out of the company. We include in the norms-based-screening the use of Principal Adverse Impact indicators as defined by the RTS (annex supplementing Regulation (EU) 2019/2088) whereas we want to solely invest in companies that belong to the top-half of their sector with regards to their environmental impact and respect for social matters.

In order to screen for the companies that do not adhere to these standards, we rely on data providers, such as Sustainable Platform, CDP, Bloomberg, Factset or Refinitiv, which assesses companies' compliance with the United Nation's Global Compact Principles. Information on related standards, such as the OECD's Guideline for Multinationals, International Labour Organization (ILO) Conventions and the UN Guideline Principles on Business and Human Rights.

Evaluating the eligibility of financial assets

Equities

The MFP Sicav plc Raphael's Ethical Choice fund will mainly invest in individual company equities, where an individual assessment will take place on the company level and also on the fund level.

Derivatives

The fund can also invest in derivatives. In general, assets in a portfolio do not have to be evaluated if their only purpose is purely technical or for the temporary hedging of risks. When assets are structurally held with an investment purpose, they should be evaluated on their sustainability. Derivatives can be used as a technical portfolio management tool, for hedging risks or as a source of return. In any case, the use of derivatives cannot be at odds with the socially responsible character of the product.

Cash

In principle, cash positions do not have to be evaluated if their only purpose is technical (e.g. to provide liquidity) or for the temporary hedging of risks.

Overall, the eligibility of the assets of the fund will be done at the time of purchase, while monitoring of the existing portfolio will occur on a weekly basis.

Sustainability risk integration in the investment decision-making process

The Sustainable Finance Disclosure Regulation (SFDR)1 defines sustainability risk as “an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”. Sustainability risks can lead to a significant deterioration in the financial profile, profitability or reputation of an underlying investment and thus may materially impact its market price or liquidity. The integration of sustainability risks in the investment decision process may have the effect of excluding profitable investments from the investment universe of the Sub-Fund and may also cause a Sub-Fund to sell investments that will continue to perform well.

This statement describes how sustainability risks are integrated into our investment decision processes, as per Article 3 of the SFDR.

Given the size of our investment universe, we use a range of external providers of ESG data such as Sustainable Platform, CDP, Bloomberg, Refinitiv, Factset, etc as well as proprietary research to assess sustainability risk.

Sustainability risk considerations are integrated into our investment decision framework as part of the overall risk assessment. This is done by ensuring that we have access to relevant ESG information, in order to identify sustainability risks at investee companies. Thanks to the EU Taxonomy Regulation, where investee companies will be publishing KPI’s related to environmentally sustainable activities that are EU Taxonomy aligned and the analysis of PAI indicators for investee companies, it will become much more transparent and convenient to identify sustainability risks. These sustainability risks are considered as part of the investment evaluation. This is done on different levels:

1) When screening for new companies to bed added to the portfolio, the sustainability risk profile is identified and exclusions are being made at this stage.
2) On a continuous basis, we verify and monitor the companies which present a higher sustainability risk

In case the risks should increase, this is discussed during an investment committee, upon which the Committee decides on any action to be taken.