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# MFO Asset Management Ltd

## Responsible Investment Policy

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### 1. INTRODUCTION

This document describes the Responsible Investment Policy adopted by MFO Asset Management (“MFO”) for the management of collective investment schemes under Article 8 of 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, as amended occasionally (“SFDR”).

Article 8 strategies apply to collective investment schemes promoting environmental and social objectives and which take more into account than just sustainability risks as required by Article 6, however, such collective investment schemes do not have ESG objectives as required for Article 9 SFDR strategies.

This document mentions our key principles and how MFO implements Article 8 Responsible Investment strategies, and covers key topics such as indicators, investments and monitoring of issuers and exclusion criteria.

This Policy is approved by the Board of Directors of MFO and reviewed on a regular basis and at least annually.

### 2. KEY PRINCIPLES

#### ➤ Environmental Responsibility

We assess the environmental impact of potential investments considering factors such as carbon footprint, resource use and pollution.

#### ➤ Social Responsibility

Investments are evaluated based on their social impact including diversity, human rights and labor practices.

We aim to invest in companies that promote fair labor practices, diversity an inclusion and contribute positively to the communities in which they operate.

#### ➤ Governance

We prioritize investments in companies with strong corporate governance structures, transparent reporting and ethical business practices.

*Integration of ESG Factors:*

ESG factors are integrated into our investment decision-making process.

We work with investment managers who share our commitment to responsible investing and consider ESG criteria in their analysis.

#### ➤ Monitoring and Reporting

Regular reviews of our investment portfolio are conducted to ensure ongoing alignment with our responsible investment principles.

We provide transparent and clear reporting to stakeholders on the ESG performance of our investments.

➤ **Training and Awareness**

We provide training to employees to enhance awareness and understanding of responsible investment principles.

We actively seek opportunities to educate stakeholders, clients, and partners on the importance of responsible investing.

➤ **Review and Revision**

This policy will be periodically reviewed to ensure its effectiveness and relevance.

Revisions will be made to reflect changes in industry standards, regulatory requirements, and best practices in responsible investing.

➤ **Conclusion**

MFO is dedicated to fostering a sustainable and responsible investment culture. By adhering to this Responsible Investment Policy, we aim to contribute to a more sustainable and equitable future for all stakeholders.

### **3. ESG INTEGRATION AND RESPONSIBLE INVESTING**

MFO assesses company decision-making processes and controls, as well as how management balances the interests of shareholders, employees, suppliers, customers, the community and other stakeholders. Assessed areas may include:

- The composition of the executive team and board of directors, including the experience, diversity and distribution of roles, along with succession planning and board evaluation.
- Executive remuneration, including short term and long-term incentives and their alignment with investor interests.
- Risk control and reporting, including auditor independence and tenure.
- Shareholder rights, including one-share-one-vote and related-party transactions.

To ensure ongoing compliance, MFO monitors the ESG profile of all securities and issuers that form part of the minimum percentage of Environmental and Social investments. This is achieved by using publicly available information such as financial statements and reports filed by a company and investor events and meetings hosted by a company. MFO also uses third party data vendors, to draw on information from various sources, such as proprietary fundamental analysis, ESG research providers, third-party analyses (including those from brokers), credit rating services and financial and general media. Based on this information, MFO may decide to add or discontinue certain securities or increase or decrease its holdings in certain securities.

MFO considers the following sustainability indicators:

- ESG Score which evaluates the aggregate performance ESG performance of a company.
- Social characteristics promoted by considering product quality management, community rights and relation, and ethics and compliance issue.
- Environmental characteristics promoted by considering climate exposure, GHG emissions, air quality, waste management, water management and ecological impact.

MFO also considers principal adverse impacts (PAIs) on sustainability factors only in part by excluding issuers who:

- are involved with nuclear weapons from countries that are not signatories to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and other controversial weapons;
- derive more than 20% of their revenue from activities detrimental to society or the environment, such as thermal coal extraction and power generation, unconventional oil and gas exploration and production, conventional oil and gas production, nuclear power generation, conventional weapons and small arms, military contracting weapons and weapon- related products and services, tobacco production, adult entertainment production, gambling operations, genetically modified organisms development/growth, pesticides product/retail;
- severely violate the UN Global Compact principles on human rights, labour standards, environmental protection, and anti-corruption.

#### 4. RESPONSIBLE INVESTING CHARACTERISTICS

##### ➤ **Management Style**

Collective Instruments that involve sustainability thematic are managed with a mix of quantitative and qualitative characteristics. Active management involves single issuers that are screened based on multiple filters to capture both ESG characteristics and attractive valuation. Particular attention is given to risk adjusted returns and the Portfolio Manager also considers risk adjusted ratios such as the Sharpe ratio.

##### ➤ **Data Sources**

Collective Instruments that involve sustainability thematic derive information about ESG indicators from third party sources.

##### ➤ **Rebalancing Frequency**

Sustainability portfolios are reviewed and rebalanced at least monthly.

##### ➤ **Indicators Used**

For collective instruments that involve sustainability characteristics the following indicators shall be used at a minimum:

- S&P Global ESG Rank
- ESG Score
- Environmental Score
- Social Score
- Governance Score

**Key Indicators and metrics applicable to investments in companies**

INDICATOR	METRIC
Green House Gas (GHG)Emissions	PAI 1 - GHG Emissions
	PAI 2 - Carbon footprint
	PAI 3 - GHG intensity of investee companies
	PAI 4 - Exposure of companies to fossil fuels
	PAI 5 - Share of non-renewable energy consumption and production
	PAI 6 - Energy consumption intensity per high impact climate sector
Biodiversity	PAI 7 - Activities negatively affecting biodiversity-sensitive areas
Water	PAI 8- Emissions to water
Waste	PAI 9 - Hazardous waste and radioactive waste ratio
Social and Employee matters	PAI 10 - Violations of UN GC principles
	PAI 11 - Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	PAI 12 - Unadjusted gender pay gap
	PAI 13 - Board gender diversity

## **5. CONFLICTS OF INTEREST**

MFO is committed to identifying and mitigating or avoiding any conflicts of interest which may arise in its business activities which could have a negative impact on clients. MFO implements measures including employee training, monitoring, segregation of functions, counterparty selection, client disclosure and management reporting. All employees are encouraged to identify potential conflicts of interest, disclose and address them, even by declining to engage in a business activity.

Any material conflict of interest which may arise as part of our Responsible Investment activities is referred to MFO Compliance department to ensure the necessary actions are taken in the best interests of our clients.