

Manual of Internal Procedures

Sustainability Policy

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Chronicle Updates

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1 GENERAL FRAMEWORK

1.1 Introduction

On 8 March 2018, the European Commission published an Action Plan on Sustainable Finance which illustrates the measures that the Commission intends to take to orient the capital market towards a sustainable development model, inclusive and in line with the commitments undertaken under the Paris Agreement on climate and in harmony with what is expressed in the United Nations 2030 Agenda for Sustainable Development.

The European Commission's Action Plan has led to the development of different notarial acts on sustainable finance, including, in particular, Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainable finance disclosure regulation (SFDR). The SFDR binds, in part as early as March 2021, both market participants (including investment firms providing the portfolio management service) and financial advisors (including investment firms when providing investment advisory) to a standard transparency regime, increasing and standardising the reporting requirements of investment processes and facilitating the comparability between products and operators.

For this reason, Replica SIM considers it important to adapt its investment process to the Environmental, Social and Governance criteria (hereinafter also "ESG"), in order to protect the interests of its customers, strengthen the company's reputation and counteract the development of practices and activities considered not in line with its principles.

Replica SIM believes that ESG issues related to the financial instruments used in its management services also represent a key factor in the creation of economic and financial value and can, therefore, influence the performance and risks of the portfolios managed.

To pursue these objectives, Replica SIM adopts an approach aimed at identifying, assessing, preventing and reducing potential risks, reputational and operational, that may derive from investments in reality characterized by a low-level ESG assessment and / or involved in serious

events, which have led to or may involve negative impacts in the environmental, human rights, workers' rights, corruption, terrorism and therefore considered seriously risky for the environment and / or society.

To this end, in its selection and investment processes, Replica SIM favors financial instruments worthy from an ESG point of view and in line with the reference principles to which the SIM is inspired.

1.2 Regulatory framework

- Directive 2013/34/EU, as amended by Directive 2014/95/EU, which provides for a specific regulation on non-financial information
- Regulation (EU) 2019/2088 of 27 November 2019 ("SFDR Regulation - Sustainable Finance Disclosure Regulation"), on the subject of reporting on the sustainability of financial services;
- Regulation (EU) 2020/852 of 18 June 2020 ("Taxonomy Regulation"), which determines when an investment can be considered sustainable
- Delegated Regulation (EU)2021/1253 of the Comitted of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integrationofsustainabilityfactors, sustainability risks and sustainability preferencesinto certain organisational requirements and conditions for the exercise of the activities of investment firms.

1.3. Framework of Principles

The SIM adopts the Principles for Responsible Investment promoted by the United Nations through the resolution "Transforming our world: the 2030 Agenda for Sustainable Development".

In particular, at the base of every evaluation of sustainable investments, Replica SIM highlights the 17 SDGs (Sustainable Development Goals) developed by the United Nations as part of the "2030 Agenda" that are the basis of the sustainable development of the planet listed below:

1. Put an end to all forms of poverty in the world
2. End hunger, achieve food security, improve nutrition and promote sustainable agriculture
3. Ensure health and well-being for all and for all ages
4. Provide quality, equitable and inclusive education, and learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure the availability and sustainable management of water and sanitation facilities for all
7. Ensure access for all to affordable, reliable, sustainable and modern energy systems
8. Foster lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build a resilient infrastructure and promote innovation and fair, responsible and sustainable industrialization
10. Reduce inequality within and between nations
11. Making cities and human settlements inclusive, safe, durable and sustainable
12. Ensure sustainable patterns of production and consumption

13. Promote actions, at all levels, to combat climate change
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote a sustainable use of the terrestrial ecosystem
16. Promote peaceful and inclusive societies for sustainable development
17. Strengthen the means of implementation and renew the Global Partnership for Sustainable Development.

This document represents the Policy on the integration of sustainability risks into the investment process pursuant to the SFDR Regulation, Regulation 1253/2021 and the related implementation discipline.

1.4 Definitions:

Below are the main definitions contained in the SFDR:

- SUSTAINABILITY FACTORS: environmental, social and governance issues concerning personnel, respect for human rights and issues related to the fight against active and passive corruption;
- SUSTAINABLE INVESTMENT: investment in an economic activity that contributes to an environmental objective, measured, for example, by key resource efficiency indicators concerning energy use, renewable energy use, use of raw materials and water resources and land use, waste generation, greenhouse gas emissions as well as impact on biodiversity and the circular economy or an investment in an economic activity that contribute to a social objective, in particular an investment that contributes to the fight against inequality, or that promotes social cohesion, social integration and industrial relations, or an investment in human capital or in economically or socially disadvantaged communities provided that such investments do not cause significant damage to any of those objectives and that the undertakings benefiting from such investments comply with good governance practices, in particular with regard to sound management structures, staff relations, staff remuneration and compliance with tax obligations;
- FINANCIAL MARKET PARTICIPANT: (*inter alia*) an investment firm (SIM) or an alternative investment fund manager (AIFM) or a management company of an undertaking for collective investment in transferable securities (UCITS);
- FINANCIAL PRODUCT: an alternative investment fund (AIF); an IBIP; a pension product; a pension scheme; a UCITS; or a PEPP;
- SUSTAINABILITY RISK: an environmental, social or governance event or condition which, if it occurs, could cause a significant actual or potential negative impact on the value of the investment.

2 COMMITMENTS AND ACTIONS UNDERTAKEN BY THE SIM

Replica SIM considers it a priority to integrate environmental and social criteria into its decision-making processes related to investments and governance of society by building a solid infrastructure that helps promote responsible and sustainable innovation. The SIM considers human resources an indispensable element for society itself and a critical factor to compete successfully in the market, to do this it undertakes to offer working conditions that respect personal dignity, promoting gender diversity without admitting any discrimination to create a highly professional work environment.

The commitments of Replica SIM are attributable to specific priority guidelines, represented by 5 pillars, on which the Sustainability Policy is articulated.

Through this policy, we outline the guiding principles of sustainability with particular reference:

- Ethics and Integrity
- Value of Employees
- Respect for Human Rights
- Environmental commitment
- Investment Screening Activities.

2.1. Integration of ESG Principles at the SIM level

Ethics and Integrity

Replica SIM is committed to carrying out its business activities in accordance with high ethical standards, rejecting any act of corruption and operating in compliance with the applicable laws and regulations on the subject, at national and international level. With this in mind, Replica SIM has its own Code of Ethics, which defines the ethical principles to which Replica SIM Stakeholders must comply and which provides the tools for the fight against corruption and its prevention.

Replica SIM also works in the interest of the common good so that the consequences – direct and indirect – of its activity are socially responsible and aim towards social sustainability, as well as environmental and economic.

Governance

The SIM operates in compliance with the principles of professional ethics and transparency, through the adoption and observance, among other things, of its own Code of Ethics, a "Procedure for the management of Conflicts of Interest" and an "Anti-Money Laundering Policy" that guarantee a correct management of conflicts of interest and risks related to corruption, money laundering and terrorism.

Employee Value

Replica SIM protects its employees, ensuring a work environment that aims at inclusiveness, discouraging episodes of discrimination, exploitation, mobbing and / or harassment. Furthermore, Replica SIM in full compliance with current legislation in the field of privacy, informs each employee about the nature of the personal data being processed, to ensure appropriate confidentiality.

In the context of personnel selection and training, Replica SIM guarantees compliance with the principles of equality and equal opportunities, carrying out evaluations based on meritocratic criteria and based on professional skills, disdaining forms of discrimination and favoritism.

Therefore, SIM will conform its remuneration policy to principles and criteria that ensure the provision of a fair level of pay that reflects the skills, ability and professional experience of each employee, thus ensuring the application of the principle of equal opportunities, with the aim of pursuing wage equity without distinction of age, gender, sexual orientation, marital status, religion, language, ethnic or national origins, physical or mental disabilities, state of pregnancy of maternity or paternity also adoptive, personal beliefs, political opinions.

Replica SIM is committed to ensuring the healthiness and safety of the various work environments in which its employees perform professional services, not only through scrupulous management of the physical offices, but also through a growing attention in identifying the best services and the most effective tools to support its resources even in smart / remote working situations.

Respect for Human Rights

The SIM firmly believes that Human Rights are the basis of all relations of civil society, as inalienable rights of all individuals, without distinction, by virtue of their very belonging to the human race. At the base of the way of doing business, the SIM considers essential and essential respect for Human Rights without any distinction.

Compliance with this Policy is required of all those who collaborate with Replica SIM, both as employees and as suppliers.

Replica SIM incorporates the principles expressed for the first time in 1948 by the UN in the Universal Declaration of Human Rights and taken up in the Declaration on Fundamental Principles and Rights of Labour issued by the International Labour Organization (ILO):

- Prohibition of irregular, child, forced or brutal work
- Adequate working conditions
- Growth and professional recognition
- Privacy Policy
- Freedom of association and the right to collective bargaining
- Diversity and inclusion
- Non-discrimination and equal opportunities
- Rejection of any form of direct or indirect discrimination
- Protection of health and safety in the workplace.

Environmental Commitment

Replica SIM is sensitive to the issue of environmental protection and responsible management of natural resources. It undertakes to guide its choices in order to guarantee compatibility between the activities of the business and respect for the environment.

Although aware of the not high significance of the environmental impacts generated by its own Business, the SIM still intends to play an active role in the spread of responsible behavior and in the management of risks and challenges that may arise in the short and long term from an environmental point of view.

To improve its performance with reference to environmental impact, Replica SIM has identified specific areas of intervention, which aim at the integrated reduction of the direct and indirect environmental impact of its business and the active contribution to a sustainable growth model.

Replica SIM is committed to preferring forms of sustainable supply of resources and services, choosing selected suppliers also based on their performance in the field of environmental and social sustainability, as well as economy and efficiency.

The SIM also implements actions aimed at reducing energy consumption and emissions produced. In addition, as part of the activities that take place within the company offices, Replica SIM is committed to the management of waste through separate collection and in the reduction of waste, in particular plastic.

2.2. Integration of ESG Principles at Product level

The Company has developed an approach aimed at identifying and preventing potential reputational, compliance and operational risks deriving from investments in companies active in sectors not considered sustainable and socially responsible, taking into account the characteristics of the products managed and the investment services carried out.

To achieve this objective, the SIM has identified inclusion criteria (Positive Screening) that are applied to financial instruments, with regard to their ESG evaluation, with the aim of covering a prevalent share of the assets invested, whose types fall within the scope of application of this policy and exclusion criteria (Negative Screening) that refer to the universe of investable asset classes and allow to exclude investments in issuers that do not comply with ESG issues or involved in specific activities or particular sectors.

The same approach is adopted for the management of delegated funds with the exception of funds with a "high frequency" connotation for which the decision-making processes throughout the day are based solely on technical and market criteria, and the almost total absence of overnight positions does not expose them to this type of risk.

Exclusion criteria

Replica SIM excludes from its investable universe issuers or, more generally, counterparties operating in sectors considered "not socially responsible".

Issuers operating in sectors considered not "socially responsible" are defined as those companies characterized by a clear direct involvement:

- in the production and/or distribution of firearms
- in the production and/or distribution of ammunition for firearms
- in the production and/or distribution of weapons prohibited by UN conventions and whose use violates fundamental humanitarian principles (anti-personnel mines, cluster bombs, weapons with

depleted uranium, biological weapons, chemical weapons, invisible fragmentation weapons, laser weapons, incendiary weapons). In particular, reference is made to the Biological Weapons Convention of 10 April 1972; the Ottawa Convention of 3 December 1997 on Land Mines (LM); the Oslo Convention of 3 December 2008 against Cluster Munition (CM);

- in the production and/or distribution of pornographic material.

In addition, when assessing the sustainability of investments, the Investment Committee monitors the composition of the Portfolios by assigning a rating to each issuer based on the number, importance and quality of environmental, social and governance (ESG) information. The score ranges from 0 for companies that do not provide ESG data up to 100 which represents the maximum score.

The company's model is also structured to exclude from the investment universe the government bonds of countries for which there is a shared condemnation or the application of sanctions by the international community.

This model is applicable to all products managed by the SIM that in the pre-contractual information:

- explain how to integrate sustainability risks into investment decisions, in accordance with the transparency requirements set out in Article 6 of Regulation (EU) 2019/2088;
- explain the environmental or social characteristics or the combination of the products managed, including any benchmarks, the consistency of these indices with the characteristics of the product and the methodologies for calculating the indices. provided that the undertakings in which the investments are made comply with good governance practices, in accordance with Article 8 of Regulation (EU) 2019/2088;
- illustrate the objective or sustainable investment pursued by the product, pursuant to Article 9 of Regulation (EU) 2019/2088, as well as any benchmarks, the consistency of these indices with the characteristics of the product and or why and how the index designated as "in line" with this objective differs from a general benchmark

Portfolio management mandates characterized by the presence of specific indications within the respective investment policies do not fall within the scope of application, in consideration of the lower degree of discretion in the selection of financial instruments.

Inclusion criteria

If the exclusion requirements are met, we proceed with the analysis of the inclusion criteria, i.e. the evaluation of the ESG analysis parameters.

The SIM positively evaluates companies committed to the field of socio-environmental responsibility, which ensure the protection of human rights, the reduction of polluting emissions, the protection of biodiversity, the use of clean technologies, the protection of minorities, gender equality and that adopt and respect sound corporate governance policies.

In this perspective, Replica SIM adopts the ESG criteria and classifications according to the methodology provided for in the investment policy concerning the processes used for the specific analysis of environmental, social and governance issues.

For some specific investment lines, in addition to the rating described above, Replica SIM also evaluates the sustainability strategy adopted by the specific financial instrument analysed, as recorded by EuroSIF2 (European Sustainable Investment Forum), European association dedicated to the promotion of sustainability through financial markets and one of the main sources of information at European level on finance tenable.

This operation is carried out in order to optimize the composition of the investment line, diversifying or concentrating the ESG strategies of the selected products for a specific investment line.

Monitoring

As part of the portfolio management service, the SIM has also adopted ex-post evaluation and monitoring processes aimed at analyzing the negative externalities to which the securities that make up the managed portfolios are exposed and at activating the appropriate alarm signals in the event that particularly low indicators are found.

The SIM controls sustainability risks through the elaboration and monitoring of the ESG ratings of the tools used, based on ESG scoring provided by specialized info providers.

The monitoring activity takes into account, in addition to the level of the ratings themselves, the percentage of the portfolio on which an ESG rating is available and the concentration of the portfolios by rating classes.

The monitoring of sustainability risks described above leads to a classification of the entire range of portfolios to which this Policy applies according to an increasing order of sustainability risk, with a view to associating a greater potential risk with a greater potential negative impact on the returns of the portfolio itself. This classification of products is subject to periodic monitoring by the Investment Committee on the basis of the elaborations of the Risk Management function and according to the methods and timing regulated in the operating procedure.

3 TRANSPARENCY OF REMUNERATION POLICIES IN RELATION TO THE INTEGRATION OF SUSTAINABILITY RISKS

The remuneration and incentive mechanisms adopted by the Company and formalised in the "Remuneration and Incentive Policies 2020" aim at sound and effective risk management in the context of sustainability risks. The SIM reward system for the staff assigned to the services of is based on the achievement of objectives that take into account the risk of sustainability, in line with the ESG and sustainability policy adopted by the SIM.

4 SUPERVISION AND MONITORING

The consideration and integration of ESG factors – both at the SIM level and at the product level – is an enterprise-wide approach, so all functions of the company seek to ensure the consistency and quality of sustainability factors. The Company's Investment Committee will oversee the consistency of the investment process with ESG considerations within the portfolios under management. The analysis and monitoring of portfolios against the above requirements will be carried out on a regular basis. An overall analysis is guaranteed at least once a year.

5 GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors determines this ESG Policy and subsequent revisions; approves the exclusion criteria to be applied to assets under management; periodically verifies the correct implementation of the Policy.

INVESTMENT COMMITTEE

The Investment Committee is an advisory party, made up of members belonging to the SIM, which meets every six months, with the possibility of convening it if necessary at the request of one of the members.

As part of the ESG process, the Committee supports the Board of Directors with the following tasks:

- 1) analysis of new regulatory developments;
- 2) adherence of company practices to legislation
- 3) proposal of the integration and exclusion criteria to be submitted to the Board of Directors for approval
- 4) assessment of the ESG profile of issuers
- 6) preparation of exclusion lists
- 7) communication with the relevant business functions
- 8) promotion of suitable business practices
- 9) identification of the changes to be made to the different Policies and by type of product.

COMPLIANCE FUNCTION

The Function provides advisory support to the Board of Directors in the definition, review and implementation of the ESG Policy; monitors compliance with the Policy itself, supervising the correct application of the safeguards regulated in external and internal legislation; promotes periodic training initiatives in the ESG field.

FUNZIONE RISK MANAGEMENT

The Risk Management Function monitors the internal exclusion limits approved by the Board of Directors.