

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

19th July 2023

Product name: APS Ethical Fund

Legal entity identifier: 21380026MBR7DEG7S366

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** ___%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** ___%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

The Product applies an Ethical Policy to promote environmental and social characteristics and may only invest in government and corporate entities as approved by the Ethical Policy.

The following section outlines the process adopted in screening government and corporate entities to ensure the Product continues promoting environmental and social characteristics.

Corporations

Appraisal of corporations involves a two-fold assessment (i) a negative filtering and (ii) positive impact based on environmental, social and governance criteria. ReAPS



Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be

Investment Management Limited (the "Investment Manager") has identified Etica Sgr S.p.A.¹ as its supplier of an Investible Universe of companies which may be invested by the Product (the Service provided by Etica Sgr S.p.A. refers only to companies). Etica Sgr S.p.A. provides an updated Investible Universe of companies, at least on an annual basis. Further monitoring continues to be made on a periodical basis, to confirm that the corporation continues to adhere to the criteria below.

(i) Negative filtering

Initially, a corporation under consideration is assessed against a negative filter. The Product will avoid investing in corporations involved in certain industries including corporations that provide products or services to entities operating in these industries when such corporations derive revenues exceeding a tolerable threshold (of 10%) from such sales or services. The excluded industries are: 1) Alcoholic beverages (production or distribution), 2) Gambling, 3) Military production and distribution, 4) Adult entertainment services, 5) Life termination services or products, 6) Tobacco production and distribution.

(ii) Positive impact based on environmental, social and governance criteria

Corporations which pass the negative filtering are analysed further on environmental, social and governance ("**ESG**") criteria. These are analysed according to the following evaluation criteria in the environmental, social and governance. The weight of the criteria depends on the materiality of each criteria for the industry of the corporation analysed.

Environmental: Each corporation is assessed based on its environmental impact according to the industry it operates in. The following factors considered as part of the evaluation: (i) Environmental Strategy and Eco-design; (ii) Protection of Biodiversity; (iii) Emissions and Energy Management; (iv) Environmental Impact of Production; (v) Environmental Impact of Products; (vi) Water Management; (vii) Waste Management; and (viii) Animal Welfare Management.

Social: Each corporation is also assessed based on its social impact. The following factors are considered as part of the evaluation: (i) Career Management; (ii) Health and Safety Management; (iii) Labour Rights Protection; (iv) Customer Relationships; (v) Product Safety; (vi) Supply Chain Management; (vii) Human Rights Protection; (viii) Social Impact of Products; (ix) Promotion of Social and Economic Development; and (x) Community Relationship Management

Governance: In determining if a corporation follows good governance (such as sound management structures, employee relations, staff remuneration and tax compliance) the following factors are considered: (i) Audit and Internal Controls, (ii) Board of Directors, (iii) Directors' Remuneration Management, (iv) Shareholders Rights, (v) Anti-Competitive Practices Prevention, (vi) Corruption Prevention, and (vii) Responsible Lobbying.

Governments and Supranationals

Appraisal of governments and supranationals, is also based on a two-fold assessment (i) a negative filtering and (ii) positive impact based on environmental, social and governance criteria, yet allowing for specific adaptation since governments and supranationals, and corporations are organised and function differently.

(i) Negative filtering

Each Government is analysed on its performance in civil and political rights. Different aspects of these areas are examined. These would include religious liberties, respect for human rights, liberty to enjoy life, political liberties, liberty of expression etc. Each government is then scored for its performance on civil and political rights and ranked as either 'Free', 'Partially Free' and 'Restrained'. The Product will only invest in countries classified as 'Free'. For a Supra National to be included in the Investible Universe, an

¹ Etica Sgr S.p.A. is an asset management company established in Italy, which has developed a proprietary methodology (ESG EticApproach[®]) in the analysis of issuers in the environmental, social and governance fields, also through support of international providers of ESG research and services. The Service provided by Etica Sgr S.p.A. consists of providing the Investment Manager with an Investible Universe of companies listed in regulated markets with a corporate social responsibility and environmental profile compliant, at delivery time, to the ESG (environmental, social and governance) criteria defined by the Investment Manager in the Ethical Policy.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

analysis of the members and purpose of the organisation or body is carried out. Broadly speaking the analysis will be based on the general parameters set out in this policy in relation to governments.

(ii) Positive impact based on environmental, social and governance criteria

Subsequently ESG analysis is applied and scored according to different weightings in these areas. Only those governments/ supranationals which achieve an acceptable performance are included in the Investable Universe of the Product.

Environment: The different factors of the environmental performance analysed are: (i) Environmental Health; (ii) Air Pollution; (iii) Water effects on ecosystem; (iv) Biodiversity; (v) Agriculture, subsidies, and pesticide regulations; (vi) Forestry changes and Losses (vii) CO2 emissions; and (viii) Renewable electricity.

Social: Each government is then assessed against the social impact. The different areas which are analysed are: (i) Health; (ii) Education, and (iii) Living standards.

Governance: The government's performance in governance is then reviewed and is assessed in terms of the following factors: (i) Government Effectiveness (ii) Political Stability and absence of Violence; (iii) Rule of Law; (iv) Corruption perception; and (v) Regulatory quality. After these different analyses are completed and each government/ supra national is scored against its performance in the three sections, only the governments showing an acceptable level of ESG performance are added on to the acceptable list of investments. This list is reviewed annually.

A reference benchmark is not used for the purposes of attaining the environmental characteristics promoted by the Product.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The Product shall use the following indicators to measure the attainment of the promoted characteristics for companies:

Environment	Social	Governance
Environmental strategy and eco-design	Career management	Audit and Internal Controls
Protection of Biodiversity	Health and safety management	Board of Directors
Emissions and energy management	Labour rights protection	Directors remuneration management
Environmental impact of production	Customer relationships	Shareholders rights
Environmental impact of products	Product safety	Anti-competitive practices Prevention
Water management	Supply Chain management	Corruption prevention
Waste management	Human rights protection	Responsible Lobbying
Animal welfare management	Social impact of products	
	Promotion of social and economic development	
	Community relationship management	

These indicators are synthetically represented within a score; the sectorial rating comes from this score.

In respect of sovereigns, the environmental component is based on the Environmental Performance Index; social component on the Human Development Index; and the Worldwide Governance Indicators for the governance component.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

N/A. The Product promotes environmental or social characteristics but does not have a sustainable investment objective and does not make sustainable investments.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

N/A. The Product promotes environmental or social characteristics but does not have a sustainable investment objective and does not make sustainable investments.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

N/A. The Product promotes environmental or social characteristics but does not have a sustainable investment objective and does not make sustainable investments.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

N/A. The Product promotes environmental or social characteristics but does not have a sustainable investment objective and does not make sustainable investments.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

The Investment Manager does not consider the PAIs as part of its investment decisions on sustainability factors, within the meaning of Article 4(1)(a) of SFDR, for the time being. The Investment Manager’s position on this matter will be reviewed on an ongoing basis.



What investment strategy does this financial product follow?

The Product endeavours to maximise the total return to investors, minimising volatility whilst seeking to attain a desirable level of liquidity following ethical principles according to its Ethical Policy. It will seek to achieve this objective by investing primarily in a diversified portfolio of government and corporate bonds, equities and units in selected collective investment schemes, fixed term deposits and cash. The Product may only invest in government and corporate entities as provided by its Ethical Policy which promotes environmental, social and governance characteristics as part of the selection process in identifying an investible universe.

The Product may be fully invested in government or corporate bonds rated investment grade by a reputable rating agency, or in the case of unrated bonds, are deemed to have an equivalent rating by the Investment Manager. The Product may also invest up to 40% of its total net assets in high yield bonds. The Product may invest in bonds both having fixed and floating coupon rates and may also invest in inflation linked government bonds. The Product may also invest up to 40% of its total net assets in direct equities or CISs whose main exposure is in equities. The Product may make use of exchange traded or OTC financial derivatives for the purpose of efficient portfolio management. The Product will maintain at least 50% of total net assets in Euro.

The Product is actively managed and shall not follow any index or benchmark.

More information on the general investment policy of the Product can be found in the Investment Objective and Policy section of the Offering Supplement.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The ESG requirements as defined in the Ethical Policy are binding elements in our investment strategy and consists of the following elements:

- Excluding companies involved in certain industries including companies which provide products or service to entities operating in such industries when deriving revenues exceeding a tolerable threshold (of 10%). The excluded industries are: 1) Alcoholic beverages (production or distribution), 2) Gambling, 3) Military production and distribution, 4) Adult entertainment services, 5) Life termination services or products, and 6) Tobacco production and distribution.
- Excluding governments which are not classified as 'Free' in the performance of civil and political rights.
- The Product adheres to the Ethical Policy and may invest only in instruments within the Investible Universe as determined by the Ethical Policy.

The binding elements are documented and monitored on an ongoing basis. The Investment Manager is required to develop a strategy to divest exposure to companies or governments which deviate from the Ethical Policy within a reasonable timeframe.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

N/A. There is no committed minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

- **What is the policy to assess good governance practices of the investee companies?**

Good governance practices of investee companies are addressed in various layers of the security selection process. Companies are screened for good governance with respect to sound management structures, employee relations, remuneration

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

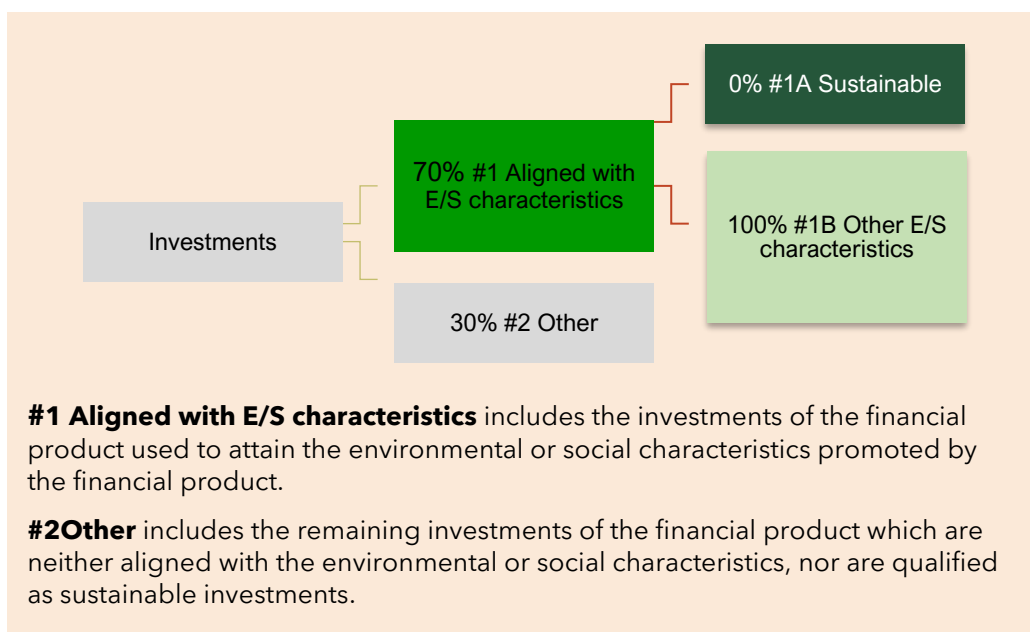
Good governance practices include sound management structures, employee relations, remuneration of staff and tax

of staff and tax compliance through the analysis of the following factors: 1) Board of Directors
 2) Audit and Internal Controls, 3) Career management, 4) Health and safety management, 5) Labour rights protection, 6) Directors' remuneration management, and 7) Promotion of social and economic development.
 In respect of sovereign issuers, the assessment of governance is assessed in terms of the following factors: 1) Government Effectiveness, 2) Political Stability and absence of Violence, 3) Rule of Law, 4) Corruption perception, and 5) Regulatory quality.



What is the asset allocation planned for this financial product?

The Product may predominately invest in Investment Grade bonds and may invest up to 40% in High Yield bonds and 40% in equities. A moving cash balance and the use of financial derivative instruments with the purpose of hedging are also part of the planned asset allocation. The percentage of the investments aligned with the E/S characteristics (#1) promoted is at least 70%. These include exposure to Corporates and Government (including Supranationals) related securities. The maximum percentage of the investments aligned with other (#2) is 30%. Other (#2) includes the 20% cash and 10% financial derivatives. The Product does not intend to invest in sustainable investments, resulting in 0% of sustainable investments and 100% investments in other E/S characteristics (#1B). See the flow chart below for a graphical representation.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Product does not use derivatives for the attainment of its environmental or social characteristics.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Investments in environmentally sustainable economic activities (i.e. taxonomy aligned investments) shall be 0%.

Asset Allocation
 describes the share of investments in specific assets

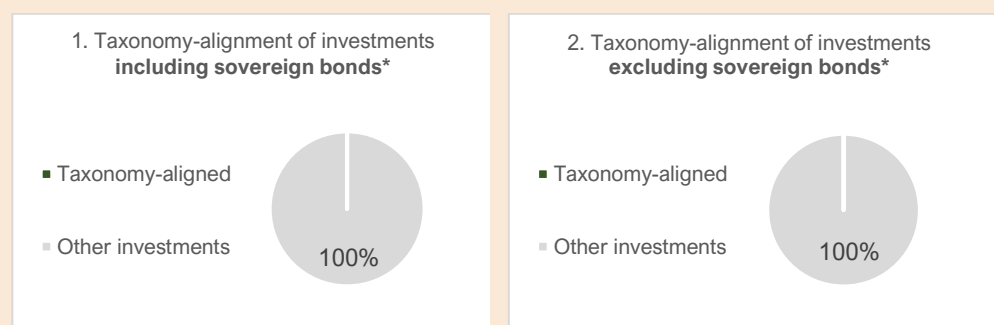
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee

● **Does the financial product invest in fossil gas and/ or nuclear energy related activities that comply with the EU Taxonomy²?**

- Yes:
- In fossil gas In nuclear energy
- No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**

The minimum share of investments of the Product in transitional activities is 0%.
The minimum share of investments of the Product in enabling activities is 0%.

● **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Product has no minimum share of investments aligned with the EU Taxonomy, i.e. 0% minimum target.

● **What is the minimum share of socially sustainable investments?**

The Product has no minimum share of investments in socially sustainable investments, i.e. 0% minimum target.

● **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

² Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Cash and financial derivatives can be held for a maximum of 30%. Due to the nature of the characteristics of the instruments, no minimum environmental or social safeguards are applicable. The derivatives are not used to achieve the E/S characteristics of the product but instead used for hedging purposes.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No specific index is designated as a reference benchmark to determine whether the Product is aligned with environmental and social characteristics promoted.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A. The Product does not designate a reference benchmark to determine if the Product is aligned with environmental and social characteristics promoted.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

N/A. The Product does not designate a reference benchmark to determine if the Product is aligned with environmental and social characteristics promoted.

- ***How does the designated index differ from a relevant broad market index?***

N/A. The Product does not designate a reference benchmark to determine if the Product is aligned with environmental and social characteristics promoted.

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A. The Product does not designate a reference benchmark to determine if the Product is aligned with environmental and social characteristics promoted.



Where can I find more product specific information online?

More Product-specific information can be found on the website: <https://apsfunds.com.mt/>

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.