



Ambienta X Environmental Mid Cap Fund Exclusion policy

June 2023

Contents

1. Introduction	3
2. Contentious activities policy	3
2.1. UN Global Compact violations	3
2.2. Controversial weapons	3
2.3. Nuclear weapons	4
2.4. Conventional weapons	4
2.5. Thermal coal	5
2.6. Tobacco	5
3. Assessment process.....	5
4. Changes to the Exclusion Policy	6

1. Introduction

The investment strategy of the Ambienta X Environmental Mid Cap Fund (“the Fund”) foresees investments primarily in equities and equity-related or linked securities of companies worldwide which are exposed to environmental trends and are considered, based on Ambienta SGR SpA’s (“Ambienta”) proprietary methodology, sustainable investments.

While Ambienta’s primary focus is on finding companies positively exposed to environmental trends, it considers it prudent, based on geographical focus of distribution of Ambienta X Environmental Mid Cap Fund and on MiFID requirements, to limit or completely avoid an investment in companies exposed to activities that cause damage to society and the environment. These activities are set out in this document.

For this purpose, the Board of Ambienta X ICAV, in conjunction with Ambienta, have placed thresholds on the revenues that companies, that the Fund invests in, can derive from unsustainable and unethical activities and still be included in the Fund. When relevant, such thresholds are highlighted below.

2. Contentious activities policy

2.1. UN Global Compact violations

The UN Global Compact is a set of principles that promote responsible business practices in the areas of human rights, labor, environment, and anti-corruption. Companies that violate these principles can harm individuals, communities, and the environment, and undermine sustainable development.

Ambienta in respect of the Fund excludes investments in companies with violations¹ of the Global Compact principles.

2.2. Controversial weapons

Controversial weapons, in contrast to conventional weapons, have a disproportionate and indiscriminate impact on civilian populations, sometimes even years after a conflict has ended. Certain controversial weapons are illegal, as their production and use are prohibited by international treaties and bans. In various countries there is legislation in place regarding investments in controversial weapons.

The below are considered by Ambienta to be “controversial weapons” for the purposes of the strategy of the Fund:

- **Anti-personnel mines.** Anti-personnel mines are explosives that are designed to detonate at the proximity or contact of a person, which incapacitates, injures, or kills the person and/or others nearby. After being planted, antipersonnel mines can remain undetonated for years, posing a serious risk to civilians after a conflict has ended. Ambienta in respect of the Fund utilises the definition applied by the 1997 Ottawa (Mine-Ban) Treaty.
- **Biological and Chemical Weapons.** Biological or chemical weapons are munitions that utilise biological or chemical agents, respectively, to inflict death or harm. Either type can be dispersed in gas, liquid, or solid forms. As these munitions are based on organisms or chemicals, civilians are often unintended victims since the impact zone is constrained only by how far the particles can disperse. For biological weapons, person-to-person transmission of the illness can further exacerbate the civilian impact. Ambienta in respect of the Fund utilises the definitions outlined in the 1972 Biological and Toxin Weapons Convention (BTWC) and the 1993 Chemical Weapons Convention (CWC).
- **Cluster weapons.** Cluster weapons are air-dropped explosives that release in flight 10 or more submunitions (bomblets), each weighing less than 4 kg. The submunitions have a wide impact zone, and often remain undetonated on the ground. These munitions can remain dangerous for years after the

¹ A violation can be confirmed either by an OECD National Contact Point, the external data provider or by the ESG team who analyse allegations from NGOs, and media.

conflict has ended, posing a serious risk to civilians. Ambienta in respect of the Fund utilises the definition applied by the 2008 Convention on Cluster Munitions (CCM).

- **Depleted Uranium.** Depleted Uranium (DU) munitions are projectiles (bullets, rockets, etc.) that have been equipped with the radioactive chemical substance DU. Because of its high density, DU is often used as a penetrator in ammunition to help pierce armour. However, areas where depleted uranium munitions have been used are exposed to its radioactive qualities, causing people living in the area to be more prone to cancers, congenital birth defects, and other illnesses. Ambienta in respect of the Fund uses a broad definition of DU, i.e. with Uranium-235 concentrations of 0.7% or lower, as defined by the International Atomic Energy Agency (IAEA). The current findings of Ambienta in respect of the Fund would not have been different with a narrower definition given that there is in practice not much debate about classifying DU ammunition. There is currently no international convention or legal framework illegalising or regulating DU. DU ammunition is prohibited in Belgium.
- **White phosphorus.** White phosphorus (WP) is an allotrope of the chemical element phosphorus, which burns fiercely when exposed to oxygen. A WP munition is any projectile (e.g. flares, grenades, or mortars) that is equipped with WP, in order to act as a smoke-producing agent, or as tracer, illumination, or incendiary munition. As an incendiary, WP can cause injury or death when ingested, inhaled, or causing severe burns. As a smoke-based weapon, WP munitions have an indiscriminate effect, often seriously impacting civilians in densely populated areas. There is currently no convention or legal framework comprehensively illegalising or regulating white phosphorus.

Ambienta in respect of the Fund excludes investments in companies with any confirmed ties² to the controversial weapons above.

2.3. Nuclear weapons

A nuclear weapon is a device that is capable of releasing nuclear energy in an uncontrolled manner, due to fusion and/or fission reactions, making it a highly destructive explosive. The indiscriminate and disproportionate impact on civilians makes nuclear weapons a controversial weapon. Ambienta in respect of the Fund bases its definition of a nuclear weapon on the 1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT), dealing primarily with trade, the U.N. Treaty on the Prohibition of Nuclear Weapons, which was adopted in July 2017 and entered into force in January 2021, and the Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (Tlatelolco).

Ambienta in respect of the Fund excludes investments in companies with any confirmed ties² to nuclear weapons.

2.4. Conventional weapons

Firearms can be considered controversial as they are reported to be a major factor in the increase of armed conflict worldwide. They are the weapon of choice for many terrorist groups around the world and often hinder smoother rebuilding and development after a conflict has ended. Besides the loss of human life and physical harm, armed violence also has significant (direct and indirect) economic costs.

Manufacturing of weapons for the army or the defence industry can also be considered controversial for its potential for (re-)fuelling wars and conflicts.

Ambienta in respect of the Fund excludes investments in companies that derive $\geq 10\%$ of turnover from:

- the manufacturing, manufacturing of key components, selling, retailing, distributing of assault weapons and/or small arms, for both civilian and military / law enforcement purposes;
- the manufacturing of military weapon systems and/or integral, tailor-made components for these weapons.

² The company is involved in the core weapon system, or components/services of the core weapon system (also non tailor-made and not essential) to the lethal use of the weapon.

2.5. Thermal coal

On a lifecycle basis thermal coal is more carbon intensive than other fossil fuel sources, while from an energy generation perspective it is easily substitutable. Thermal coal, also known as energy coal, or steam coal, is mainly used in power generation.

Ambienta in respect of the Fund excludes investments in companies that derive $\geq 10\%$ of turnover from the extraction of thermal coal. It also excludes investments in companies that derive $\geq 10\%$ of turnover from tailor-made products and services that support thermal coal extraction.

2.6. Tobacco

Tobacco is considered controversial because of the negative health consequences (cancer) of long term use of tobacco products, also leading to substantial medical costs for society. Tobacco companies are exposed to significant financial and reputational risks as a result of legal cases and class actions brought against them.

Ambienta in respect of the Fund investments in companies that derive $\geq 5\%$ of turnover from the manufacturing of tobacco products including cigarettes, cigars, tobacco, electronic cigarettes, paper used by end consumers for rolling cigarettes, filters, snuff tobacco, etc.

Ambienta in respect of the Fund excludes investments in companies that derive $\geq 10\%$ of turnover from tobacco retailers and distributors, as well as companies providing tobacco-related products or services.

3. Assessment process

Both during the due diligence phase and during regular position updates Ambienta, through the work of the ESG members of Ambienta's internal Sustainability & Strategy team, conducts in-house analysis to identify company involvement in the contentious activities listed in the present policy. The analysis is performed using various sources including information provided by external research providers, media sources, NGOs and, where necessary, based on the ESG team's evaluation, direct engagement with the target company to verify their involvement in such activities.

Company involvement in the contentious activities outlined in this policy is assessed through the following variables:

- Type of involvement: Direct involvement when a company is directly involved (by itself or a majority owned subsidiary) or indirect involvement when a company is indirectly involved in a product or service through ownership of an involved company ("Significant ownership");
- Type of activity: for each company analysed, the type of involvement is considered (e.g., owners and operators, manufacturers/producers, retailers/providers, provision of supporting products or services);
- Level of involvement: the revenues derived from such activities are generally used as the main indicator of involvement.

In case of UN Global Compact breaches or potential involvement in contentious activities, in addition to the type and level of involvement, it is also important to consider how the company approaches and considers its potentially contentious activities or how the company responds when an incident occurs. Therefore, the presence (or absence) of a relevant and targeted responsible policy that acknowledges the company's involvement in an activity, as well as the existence of systems and practices undertaken to ensure that it operates in a responsible manner, are crucial elements in the assessment. Also, a company that takes positive, responsible measures to ensure that future breaches do not occur is considered, by Ambienta in respect of the Fund, more favourably than a company that does not acknowledge its responsibility and/or does not take any corrective measures.

Controls are implemented across the investment lifecycle. The list of restricted names provided by the selected external research provider is integrated into the trading system and updated on at least a monthly basis by the Head of Analytics. This ensures that all restricted names will be blocked directly on a pre-trade basis and that there are regular updates.

Furthermore, both during the due diligence activities performed pre-investment and during the monitoring activities in place throughout the investment period, the Sustainability & Strategy team consults the restricted names provided by the external provider and uses this to inform the analysis performed across all targets.

4. Changes to the Exclusion Policy

Exclusions set out in this policy may not be exhaustive. Additional exclusions may be applied based on prevailing regulatory guidance. In the event that there is a change to the policy, Ambienta and the Board will comply with the Central Bank of Ireland’s requirements in respect of engagement with shareholders.

Version/change control log

DATE	REASON FOR REVIEW	INITIALS & COMMENTS/CHANGES
28/06/2023	ICAV Board Approval of Original Policy	Board of Directors, Ambienta X ICAV