

ESG integration in FDC's sub-fund "FDC SICAV Actions Monde – Actif 2"

Summary:

KBIGI manages an active global equity portfolio for FDC designed to deliver consistent excess return, downside protection, lower risk and lower volatility than the benchmark. We are total return investors, building all-cap portfolios with strong diversification, value, quality and enhanced ESG characteristics that are designed to deliver in most market environments.

The FDC portfolio managed by KBIGI has the following features:

- **Full ESG integration**
- **Positive ESG Style bias**
- **Extended exclusion list**
- **Engagement programme**
- **ESG reporting and monitoring**

KBIGI's commitment to responsible investing:

KBIGI has a long-standing commitment to Responsible Investing dating back to the early 1980s when we started working with our clients to construct portfolios that excluded companies engaged in certain controversial activities. Over time, we have strengthened and deepened our approach to Responsible Investing to the extent that ESG considerations are now a key factor in stock selection and fully integrated into all our investment decisions for all our strategies. We strongly believe that this leads to better long-term investment outcomes for our clients.

We engage constructively with the management of companies through direct conversations, collaborative initiatives and industry groups where it is merited, as well as active use of our proxy voting.

The firm's most recent annual PRI assessment awarded an A+ rating to all three categories relevant to equities:

- Strategy and Governance: A+ rating
- Listed Equity Integration: A+ rating
- Listed Equity Active Ownership: A+ rating

Full ESG integration

We believe ESG analysis helps on the upside, because it identifies companies that are anticipating change and therefore establishing a long-term competitive advantage. It also helps on the downside because companies with poor ESG agendas tend to carry higher levels of risk, are more likely to have unsustainable business practices and more susceptible to events that cause financial harm.

Because of this we actively integrate ESG into our investment process for all our global equity strategies. We don't treat ESG data any differently to any of our other key criteria. So, in the same way that we actively manage our exposure to Dividend Growth, or Return on Equity, or Price-Earnings and

select stocks based on their ability to maintain and improve a matrix of key criteria, we do the same with ESG.

Our global equity strategies have always had a strong emphasis on the Social and Governance elements of sustainable investing, both of which we believe to be long-term sources of alpha and are embedded into our investment thesis. Our research also shows that high quality companies, with high pay-out commitments – the type of companies we target – demonstrate a higher level of corporate governance. Simply put, we believe that shareholder (rather than management) interests are given a higher priority when compared to low or non-dividend payers.

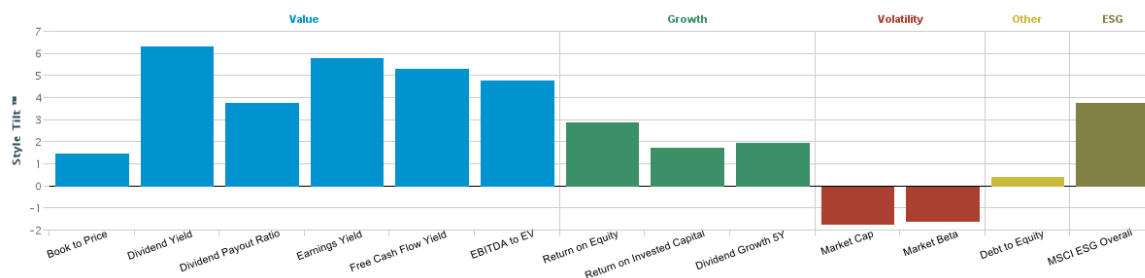
We also explicitly incorporate ESG scores within the investment process for the global equity strategy. ESG is one of the key factors that we use to rank the attractiveness of a company alongside our other favoured metrics in the stock selection phase of our process. During portfolio construction, we target superior ESG scores versus the benchmark at an overall portfolio level.

Positive ESG Style bias

We prefer a high degree of transparency and clear long-term conviction to maintain a persistent ESG bias to our portfolios. We have added ESG to our matrix of stock selection criteria, and deliberately and meaningfully control the overall portfolio outcome to ensure we are significantly overweight to ESG in the portfolio construction process. While we are achieving a significant overweight exposure to ESG, we are delivering that bias at a significant discount to the market. Maintaining our Value and Total Return bias is crucial at this point in the investment cycle, as we don't believe that further multiple expansion is likely to contribute to equity returns.

Our commitment can be demonstrated in the chart below.

PORTFOLIO STYLE SKYLINE™



Portfolio: KBI Global
 Benchmark: MSCI WORLD
 Snapshot Date: 30/Jun/2018
 Currency: EUR

STYLE
RESEARCH

Extended Exclusion list

The portfolio is kept fully compliant with FDC's exclusion list which ensures that investments are compliant with international conventions ratified by the Grand Duchy of Luxembourg.

We additionally observe a house exclusion list which is applied to all portfolios we manage. In addition to companies that are involved in the manufacture or distribution of controversial weapons (the production or sale of anti-personnel mines and cluster bombs, or of chemical, biological and depleted uranium weapons), we also exclude those that persistently breach one or more of the 10 principles of

the UN's Global Compact initiative which cover human rights, labour rights, the environment, and corruption. We also screen out companies involved in thermal coal extraction.

Engagement

Direct Engagement: Direct engagement is on very specific issues and targeted to stocks in our portfolio that have the lowest ESG scores in their industry or don't disclose their carbon emissions. As is the case with the majority of active engagement programmes, this will be a relatively small number of holdings at any point in time.

The process usually commences with an approach to the company by the relevant Portfolio Manager(s), outlining our concerns. This may be via an in-person meeting or a direct phone call with the appropriate personnel at the company in question, or the engagement could commence with a letter or email. We outline our concern and ask the company to respond, either at the time or (more usually), at a later date, having had time to consider the issue. We consider the company's response and either close the engagement if a satisfactory response has been obtained or pursue it further, usually via escalation to the company chairperson or designated independent/lead director, as appropriate. The process continues until closed, either because we have obtained a satisfactory result or because we feel a satisfactory outcome is unlikely, in which case we will consider divestment, if we judge it to be in the best interests of our clients. We fully coordinate the engagement with our proxy voting, as appropriate and when required.

Collaborative Engagement: As a specialist boutique asset manager with focused resources, we endeavour to leverage relationships to engage in collective engagement when appropriate. To that end, we are members of or signatories to the initiatives below and take an active role in those most relevant to us. We have decided to particularly focus on initiatives related to climate change and carbon risk and have been involved in a number of initiatives in this area. We are members of the Collaboration Platform (formerly the PRI Clearinghouse) which is a forum that allows PRI signatories to pool resources, share information and enhance influence on ESG issues.

- The Principles for Responsible Investment (PRI)
- US SIF
- CERES Investor Network
- The Institutional Investors Group on Climate Change (IIGCC)
- The Carbon Disclosure Project Water Program
- The Carbon Disclosure Project Forests Program
- The Carbon Disclosure Climate Change Program
- Boston Area Sustainable Investment Consortium
- SIF Ireland

ESG Reporting and Monitoring

We are committed to providing a high level of support and transparency to our clients.

- We calculate and show the overall ESG scores of our global equity portfolios relative to their benchmarks.

- We also show the portfolio's overall ESG style exposure which is externally calculated and verified.
- We publish our annual submission to the PRI.
- We publish a six-monthly report on our engagement and proxy voting (not related directly to FDC as KBIGI is not mandated to execute FDC's voting rights).
- Overall monitoring of ESG across the firm and within the global equity strategies falls within the remit of the Responsible Investment Committee.