

Best M&G

A sub-fund of Sigma Investment House FCP

This sub-fund promotes environmental and social characteristics and qualifies as product in accordance with Article 8(1) of Regulation (EU) 2019/2088.

This document addresses disclosures pursuant to Article 10(1) of Regulation (EU) 2019/2088 (the “SFDR”), related to the transparency of the promotion of environmental or social characteristics and of sustainable investments on websites for Article 8(1), Article 9(1), (2) and (3) products of this regulation as well as Article 23 and Article 24 to 36 of Commission Delegated Regulation (EU) 2022/1288 (the “SFDR Level II”) with regard to regulatory technical standards content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives on websites, as subsequently amended and supplemented.

Summary

Sub-fund name: Best M&G

This sub-fund promotes environmental and social characteristics and qualifies as product in accordance with Article 8(1) of Regulation (EU) 2019/2088.

This document shall give investors a concise overview about environmental and social characteristics that this sub-fund is promoting, information on the methodologies used to assess, measure and monitor the environmental or social characteristics, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics of the sub-fund.

This section contains a summary of the information referred to the other sections that relates to the financial product.

No sustainable investment objective

While the sub-fund does not have sustainable investment as its objective, nonetheless it commits to hold at least 20% of its net assets in sustainable investment, of which at least 5% with a social objective and at least 5% with an environmental objective.

The underlying funds promoting ESG factors are expected to allocate to sustainable investments and make commitments about their levels of sustainable investments with an environmental, and/or a social objective.

The Investment Manager expects the asset managers of the underlying funds to consider principal adverse impact indicators. In particular, it is assessed that the underlying investment manager’s research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows it to make informed investment decisions.

Moreover, the portion of sustainable investments held by the sub-fund is aligned with the UN Global Compact and with the OECD Guidelines for Multinational Enterprises by

the consideration of their violation. In particular, the sub-fund refrain to invest in underlying funds which do not consider this alignment in their exclusion lists.

Environmental or social characteristics of the financial product

The sub-fund will invest in underlying funds which are categorized as art. 8 or art. 9 under the SFDR or are considered equivalent by the Investment Manager (Andbank Wealth Management, SGIIC S.A.U.). In particular, the sub-fund will invest mainly (more than 50%) in underlying funds managed by M&G Investment Management Limited and/or its affiliates (the “M&G Group”). The promotion of environmental and social characteristics includes, among others, exclusions in the investment universe trying to mitigate possible negative effects affecting the environment or society. As a result, the underlying funds may include certain % revenue thresholds in thermal coal extraction, conventional oil and gas extraction, adult entertainment, gambling, tobacco or controversial weapons among others.

The “do no significant harm” principle applies only to those investments underlying the sub-fund that take into account the EU criteria for environmentally sustainable economic activities. For the remaining underlying investments, the sub-fund does not take into account the EU criteria for environmentally sustainable economic activities.

Investment strategy

In order to meet the environmental and social characteristics, The sub-fund actively integrates ESG criteria on a continuous basis, by relying on a Positive ESG Selection process of the underlying funds. In particular, the sub-fund will be invested in (a) underlying funds which are categorised as article 8 or 9 products according to the SFDR or are considered to be equivalent by the Investment Manager and (b) in equivalent transferable securities or derivatives.

Proportion of investments

The sub-fund invests at least 70% of its net assets in underlying assets that have been determined eligible as per the ESG process in place (hence in investments that are aligned with the promoted environmental and social characteristics).

The sub-fund invests at least 20% of its net assets in assets that have been determined as sustainable investment. At least 5% of sustainable investments are made with an environmental objective and at least 5% are made with a social objective.

Up to 30% of the investments are not aligned with these characteristics and they include cash, term deposits, debt securities, derivatives and money market instruments and other underlying funds that are not aligned with the environmental and social characteristics promoted.

Monitoring of environmental or social characteristics

The sub-fund performs a quarterly assessment, after acquisition, to ensure that investments meet environmental or social characteristics evaluated according to the strategy defined to make the investment decisions. In addition, the Management Company will assess the information provided by the sub-fund's Investment Manager with information obtained from their own data providers.

Methodologies

The methodologies used to attain the promoted environmental and social characteristics rely on a Positive ESG Selection which represents the percentage of the net asset value held in underlying funds promoting ESG factors.

Accordingly, the sub-fund reports on what percentage of its NAV is held in underlying funds promoting ESG factors. In addition, the sub-fund will use a look-through approach in order to measure Key Indicators related to sustainability ("KSIs"):

1. MSCI ESG rating breakdown
2. Corp and Govt ESG rating breakdown
3. Fund ESG score
4. % of the FoF (Fund of Funds) invested in impact
5. Fund WACI (Weighted Average Carbon Intensity)
6. %(NAV) Article 9 Funds
7. %(NAV) Article 8 Funds

Data sources and processing

The ESG Database of the Investment Manager uses data from two providers: MSCI and Sustainalytics. In order to ensure a high data quality, the sustainability committee verify the KPIs compliance of the assets quarterly. The Management Company controls the data quality through the use of a different data providers to the ones of the Investment Manager and confronts the information on a "best effort basis".

Limitations to methodologies and data

ESG metrics that the Investment Manager uses in its investment management are sourced or derived from data that the Investment Manager receives pursuant to licenses with the following third-party commercial data providers: MSCI, Sustainalytics. ESG data availability is growing and in an evolving situation, where updates in the raw data collected and, in the methodologies applied, are common. Estimates would gradually be substituted by real data provided by the issuers as the regulation to disclose them comes into force. Data will continue to be filtered and refined for a better use in terms of materiality and accuracy. Growing data is expected to improve the limited coverage affecting some issuers. Within this process of enhancing transparency and a better understanding of the issuers, changes are to be expected both on the data but also in the processes carried out by the ESG data providers, and potentially in the resulting scores. The Management Company controls on an ongoing basis the application of the methodology and the quality of the data and will take appropriate measures in case there is any limitation that affect the fulfilment of the E/S characteristics promoted.

Due diligence

Due diligence is carried out on the underlying assets of the financial product. Quarterly, if an investment product drops its score and keeps a progressive downtrend, it is reviewed internally by the sustainability committee of the Investment Manager that checks if the specific investment case is reassessed or not, if not the position will be sold.

Engagement policies

The sub-fund is a fund of funds hence it does not have any direct engagement with the investee companies, but only with the underlying funds' asset managers. In particular, underlying funds managed by M&G use engagement as a tool to drive positive change in sustainability policy and corporate standards.

No designated reference benchmark

No index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product.

No sustainable investment objective

While the sub-fund does not have sustainable investment as its objective, nonetheless it commits to hold at least 20% of its net assets in sustainable investment, of which at least 5% with a social objective and at least 5% with an environmental objective.

The underlying funds promoting ESG factors are expected to allocate to sustainable investments and make commitments about their levels of sustainable investments with an environmental, and/or a social objective.

The underlying funds promoting ESG factors are not required to favour any specific type of sustainable investment and nor is the sub-fund. The sub-fund will use the sustainable investment levels supplied to it by the underlying funds promoting ESG factors in calculating its own sustainable investment level.

The portion of sustainable investments held by the sub-fund are made by the underlying funds into which the sub-fund has invested. These investments are required to pass a series of tests including:

- a) Whether they represent significant exposure to business that the asset managers of the underlying funds consider harmful;
- b) The analysis of principal adverse indicators (violation of the UN Global Compact or the OECD Guidelines for Multinational Enterprise, sanctions on Countries, negative effects on biodiversity sensitive areas);
- c) The analysis of other principal adverse indicators performed through a materiality assessment by the asset managers of the underlying funds.

The Investment Manager expects the asset managers of the underlying funds to consider principal adverse impact indicators. In particular, it is assessed that the underlying investment manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows it to make informed investment decisions.

Moreover, the portion of sustainable investments held by the sub-fund is aligned with the UN Global Compact and with the OECD Guidelines for Multinational Enterprises by the consideration of their violation. In particular, the sub-fund refrain to invest in underlying funds which do not consider this alignment in their exclusion lists.

In its investment, this sub-fund considers the following principal adverse impacts on sustainability factors ("PAI") listed in the Annex I, Table 1 of the Commission Delegated Regulation EU 2022/1288 ("SFDR Level II"):

Underlying funds managed by M&G:

Issuer	PAI	PAI Indicator	PAI Metric
CORPORATE	1a	GHG emissions	Scope 1 GHG emissions
	1b		Scope 2 GHG emissions
	1c		Scope 3 GHG emissions
	1d		Total GHG Emissions
	2	Carbon footprint	Carbon footprint
	3	GHG intensity of investee companies	GHG intensity of investee companies
	4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage

6a	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE A
6b		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE B
6c		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE C
6d		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE D
6e		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE E
6f		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE F
6g		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE G
6h		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE H
6i		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE L
7		Activities negatively affecting biodiversity-sensitive areas
8	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
9	Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
11	Lack of process and compliance mechanisms to monitor compliance with UNGC principles and OECD	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or

		guidelines for multinational enterprises	grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for multinational enterprises.
	12	Unadjusted gender pay gap	Average unadjusted gender pay gap for investee companies
	13	Board gender diversity	Average ratio of female to male board members in investee companies
	14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
SOV	15	GHG intensity	GHG intensity of investee countries
	16	Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law
REAL ESTATE	17	Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels
	18	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets
CORP	Opt	Investments in companies without carbon emissions reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
	Opt	Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy
	Opt	Lack of a human rights policy	Share of investments in entities without a human rights policy
	Opt	Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies EN 22 EN on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption

The ultimate goal of taking PAI into consideration is to enable understanding of how an investment impacts the world and to inform the “Do No Significant Harm” (DNSH) test where sustainable investments are being characterised. Some PAIs are quantitatively excluded to avoid harm, such as PAI’s indicating if a company or country is sanctioned or whether an investment has exposure to fossil fuels. Other PAI’s are informative as there are not currently set thresholds, i.e. on the volume of solid waste or water consumed.

Other underlying funds:

Additionally, for other underlying funds, the ultimate goal of taking PAI into consideration is to mitigate the potential negative impact of investments. Thus, the consideration and control of PAIs is based on how the underlying funds take them into account. To this end, each of the underlying funds may follow different strategies, such as:

- Exclusion of those investments whose indicators are not aligned with what is considered adequate to comply with the DNSH principle;
- Active dialogue with those companies that present high levels of concern in relation to their adverse impact;

- Divestment or reduction of investment in those positions that present an adverse impact higher than the market.

Environmental or social characteristics of the financial product

The sub-fund will invest in underlying funds which are categorized as art. 8 or art. 9 under the SFDR or are considered equivalent by the Investment Manager (Andbank Wealth Management, SGIIC S.A.U.). In particular, the sub-fund will invest mainly (more than 50%) in underlying funds managed by M&G Investment Management Limited and/or its affiliates (the "M&G Group"). The promotion of E/S characteristics include, among others, exclusions in the investment universe trying to mitigate possible negative effects affecting the environment or society. The Sub-Fund measures the attainment of the promoted environmental and social characteristics through the use of a Positive ESG Selection filter which represents the percentage of the net asset value held in underlying funds promoting ESG factors. Accordingly, the Sub-Fund reports on what percentage of its NAV is held in underlying funds promoting ESG factors. Being the sub-fund a fund of funds, it will promote the same environmental and social characteristics promoted by the underlying funds.

The "do no significant harm" principle applies only to those investments underlying the sub-fund that take into account the EU criteria for environmentally sustainable economic activities. For the remaining underlying investments, the sub-fund does not take into account the EU criteria for environmentally sustainable economic activities.

Investment strategy

The sub-fund actively integrates ESG criteria on a continuous basis, by relying on a Positive ESG Selection process of the underlying funds.

In particular, at least 70% of the sub-fund will be invested in:

- a) underlying funds which are categorised as article 8 or 9 funds in accordance with the SFDR Regulation
or
are considered to be equivalent by the Investment Manager. In particular, the underlying Investment Manager could invest in an ESG fund in a non-EU jurisdiction. It is also possible that a fund could be considered to be structurally equivalent to an art 8 as a result of its financial terms even if it was not making explicit ESG commitments. For example, its investment universe may be limited to investments that would be considered aligned if they were held in one of M&G's ESG funds operating with an exclusionary approach;
- b) in equivalent transferable securities or derivatives. This is most likely to arise if the Investment Manager were in the situation where it was receiving in specie securities from an underlying fund. If that fund was an article 8 or 9, then those securities would have been eligible for such fund, which may be satisfactory, subject to good governance tests. With derivatives, even if it is unlikely to take exposure to derivatives, if for example it was financially better for the portfolio to take e.g. a passive exposure to an index derivative instead of an index ETF. The approach will have similar considerations to how is the approach for fund investment. For example, that index might be an ESG index, which if an ETF followed it, would be an art 8 or 9 ETF. Or the index might be as a result of its index terms, something that is equivalent because it excludes "bad" or is otherwise limited to "good" without that being explicitly defined as an ESG rule.

Proportion of investments

The sub-fund invests at least 70% of its net assets in underlying assets that have been determined eligible as per the ESG process in place (hence in investments that are aligned with the promoted environmental and social characteristics). Being the sub-fund a fund of funds, it will have an indirect exposure to investee companies.

The sub-fund invests at least 20% of its net assets in assets that have been determined as sustainable investment. At least 5% of sustainable investments are made with an environmental objective and at least 5% are made with a social objective.

Up to 30% of the sub-fund's net assets is not aligned with the promotion of environmental or social characteristics. These remaining assets may be invested in:

- a) Other underlying funds not aligned with the environmental and social characteristics promoted;
- b) Derivatives;
- c) Assets held for liquidity purposes such as cash, government bonds, money market instruments and money market funds.

Those remaining investments can be used by the portfolio management for performance, diversification, liquidity and hedging purposes.

This sub-fund does not consider any minimum environmental or social safeguards on these remaining investments.

Monitoring of environmental or social characteristics

The sub-fund applies a quarterly assessment on its investment into underlying funds to verify that their investment strategy is consistent with the promoted environmental and social characteristics.

Underlying funds managed by M&G

M&G Group has adopted a framework monitoring system for the managed funds which consist on the coding and monitoring on a pre and post trade basis as investment restrictions to prevent and detect investments that would not be compliant with the stated exclusions. Incidents are recorded, and resolved through an incident investigation process, and are reported as part of the SFDR reporting.

Other underlying funds

ESG data providers will be used in order to check the SFDR classification of funds to ensure that the threshold of 70% of Article 8 and 9 funds is met.

Management Company

The Management Company will confront the information provided by the Investment Manager of the underlying funds with information obtained from their own data providers.

Methodologies

The methodologies used to attain the promoted environmental and social characteristics rely on a Positive ESG Selection which represents the percentage of the net asset value held in underlying funds promoting ESG factors.

The sub-fund measures the attainment of the promoted environmental and social characteristics through the use of a Positive ESG Selection filter which represents the percentage of the net asset value held in underlying funds promoting ESG factors. Accordingly, the sub-fund reports on what percentage of its NAV is held in underlying funds promoting ESG factors. In addition, the fund will use a look-through approach in order to measure the following Key Indicators related to sustainability ("KSI's"):

1. MSCI ESG rating breakdown: the MSCI ESG Rating for funds is designed to measure the resiliency of portfolios to long-term ESG risks and opportunities. The most highly rated funds consist of issuers with leading management of key ESG risks;
2. Corporate and Government ESG rating breakdown: the ranked funds are divided into five groups, based on a normal distribution, and each receives a rating from "High" to "Low", being "High" the best score and "Low" the poorest. For each peer group, the median scoring portfolio receives a '3' rating. Ratings are assigned to other portfolios in the peer group to achieve a normal distribution, with an exception made for cases where the scores within the peer group are not meaningfully differentiated;
3. Fund ESG score: the Quality Score (0 - 10) for funds is calculated as the weighted average of the ESG scores of fund holdings;
4. % of the FoF (Fund of Funds) invested in impact;
5. Fund WACI (Weighted Average Carbon Intensity): the Weighted Average Scope 1+2 Carbon Intensity measures a fund's exposure to carbon intensive companies. The figure is sum of security weight (normalized) multiplied by the security

Scope 1+2 Carbon Intensity;

6. %(NAV) Article 9 Funds;

7. %(NAV) Article 8 Funds;

Sustainable investments

M&G aims to use their influence as a global investor and asset owner to drive positive change in sustainability policy and corporate standards. They believe in active asset ownership and management, which invests in businesses providing solutions to 21st century challenges and encourages companies to transition towards a sustainable future. Where they believe engagement and voting has been or will be ineffective in influencing positive change, they may exclude the company from their portfolios.

Data sources and processing

Underlying funds managed by M&G

M&G makes use of the Sustainability Accounting Standards Board (SASB) framework. This framework is used to gather and record evidence of the prevalence of ESG issues within investment processes. The SASB Materiality Map is used to inform M&G's proprietary Corporate ESG Scorecard, which is used to analyse and expose the impact of ESG issues on a particular company. The SASB framework may be supplemented by additional ESG factors as M&G deems appropriate.

M&G derives the data with a range of different ESG data vendors and other specialist advisors. In order to ensure a high data quality, the use of these vendors is subject to the following requirements:

- 1) Data quality and accuracy – whether the vendor's product delivers accurate, actionable information in the context of the envisaged use case;
- 2) Breadth of coverage for particular asset classes;
- 3) Ensuring no single data vendor or aggregator has over-all control and the group can source data and information as is required.

Other underlying funds

The ESG Database of the Investment Manager uses data from two providers: MSCI and Sustainalytics. In order to ensure a high data quality, the sustainability committee verify the KPIs compliance of the assets quarterly. ESG data availability is growing and in an evolving situation, where updates in the raw data collected and, in the methodologies applied, are common. Estimates would gradually be substituted by real data provided by the issuers as the regulation to disclose them comes into force. Data will continue to be filtered and refined for a better use in terms of materiality and accuracy. Growing data is expected to improve the limited coverage affecting some issuers. Within this process of enhancing transparency and a better understanding of the issuers, changes are to be expected both on the data but also in the processes carried out by the ESG data providers, and potentially in the resulting scores.

Management Company

The Management Company controls the data quality through the use of a different data provider to the ones of the Investment Manager and confronts the information on a "best effort basis". Relevant differences are analyzed on a quarterly basis.

Limitations to methodologies and data

ESG metrics that the Investment Manager uses in its investment management are sourced or derived from data that it receives pursuant to licenses with the following third-party commercial data providers: MSCI and Sustainalytics.

ESG data received do not constitute investment advice or recommendations by such providers. All rights in the data and reports provided by third-party licensors vest in such licensors and/or their content providers. None of such licensors or their affiliates, or their content providers, accept any liability for any errors, omissions or interruptions in such data/reports as to completeness, accuracy or timeliness.

Notwithstanding the measures taken to ensure a high data quality, the Investment Manager relies on the aforementioned third-party data providers, meaning that there is no direct control on the data collected. In addition, it should be considered that the

different data providers use different methodologies to collect their data, which cannot be fully disclosed as to protect the intellectual property rights of the considered data provider. Finally, the collection of non-financial data has risen in the last years, hence some time is needed to put in place a consistent system for collecting data.

The diversification on the collection of data ensures that such limitations do not affect the promoted environmental and social characteristics.

Management Company

The Management Company controls on an ongoing basis the application of the methodology and the quality of the data and will take appropriate measures in case there is any limitation that affect the fulfilment of the E/S characteristics promoted.

Due diligence

Due diligence is carried out on the underlying assets of the financial product. Quarterly, if an investment product drops its score and keeps a progressive downtrend, it is reviewed internally by the sustainability committee of the Investment Manager that checks if the specific investment case is reassessed or not, if not the position will be sold.

Engagement policies

The sub-fund is a fund of fund hence it does not have any direct engagement with the investee companies, but only with the underlying funds' asset managers.

Underlying funds managed by M&G

The asset manager of the underlying funds managed by M&G aims to use its influence as a global investor and asset owner to drive positive change in sustainability policy and corporate standards. It believes in active asset ownership and management, which invests in businesses providing solutions to 21st century challenges and encourages companies to transition towards a sustainable future.

Other underlying funds

The sub-fund does not have in place any engagement policy with regard to the other underlying funds.

No designated reference benchmark

No index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product.