BPER International SICAV – Global Balanced Risk Control

Sustainability-related disclosures

Summary
The BPER International SICAV – Global Balanced Risk Control (the "Sub-Fund") is an Article 8 financial product for the purposes of Regulation (EU) 2019/2088 ("SFDR"). The Sub-Fund promotes E/S characteristics but does not commit to making any sustainable investments, nor does it have a sustainable investment objective.

The Sub-Fund's main investment objective is to provide an attractive level of total return, measured in Euro, through investing primarily in a portfolio of transferable securities and money market instruments globally and through the use of financial derivative instruments, while incorporating ESG considerations.

The Sub-Fund promotes broad Environmental, Social and Governance (ESG) characteristics through the consideration of a number of binding ESG characteristics across both equity and fixed income issuers. The investment strategy followed by the Investment Manager to promote environmental and social characteristics vary depending on the nature of the underlying investments such as through the application of exclusions and ESG tilts, when appropriate.

The Investment Manager will ensure that 60% or more of the Sub-Fund's investments are aligned with the E/S characteristics promoted by the Sub-Fund.

The Investment Manager leverages ESG data from various external vendors. This data is collected and used for research, portfolio analysis and construction, and client and regulatory reporting.

Extensive due diligence is performed before implementing any trade ideas, and the Investment Manager uses both quantitative and Fundamental analysis for asset allocation decisions and tactical trade idea generation.

The environmental and social characteristics promoted by the Sub-Fund are monitored using a combination of tools/ screens, portfolio surveillance tools and manual desk reviews and analyses. The investment process is subject to regular review.

Engagement with companies is an important part of the portfolio managers ESG investment strategy. The primary driver for engagement is to have constructive dialogue with companies by mitigating risk, capitalising on opportunities linked to ESG factors, and reducing any material negative impact that the Investment Manager's investment decisions could have on these factors.
Investment Manager
Reasonable steps are taken to ensure that the Sub-Fund is able to meet its environmental and social characteristics however, as described further below, there are some key themes and commonalities which may contribute to limitations in the methodology and/or data and/or poor data quality of the Sub-Fund. Despite these limitations, including reviewing and assessing proxies to ensure they are appropriate substitutes for the ESG themes promoted by the relevant PAI indicator.

The Sub-Fund does not have a designated reference benchmark that is used to measure whether it attains the sustainable investment objective.

No sustainable investment objective
This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics promoted by the financial product

The Sub-Fund promotes broad Environmental, Social and Governance (ESG) characteristics through consideration of a number of binding ESG characteristics across both equity and fixed income issuers.
By investing in securities issued by companies or governments that uphold high standards of ESG behavior, the Sub-Fund promotes
•Environmental characteristics, namely climate change mitigation, avoiding environmental harm, reducing carbon emissions, and preventing pollution and waste
•Social characteristics, namely as tackling inequality or fostering social cohesion, promoting social integration and labour relations, investing in human capital, promoting access to finance and healthcare, and promoting nutrition and health.
The Sub-Fund has not designated a reference benchmark for the purposes of attaining its environmental or social characteristics.

Investment strategy

The Sub-Fund's investment objective is to provide an attractive level of total return, measured in Euro, through investing primarily in a portfolio of transferable securities and money market instruments globally and through the use of financial derivative instruments, while incorporating ESG considerations.

The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Manager. Morgan Stanley Investment Management's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio / performance reviews and systemic checks to ensure compliance with portfolio investment objectives, investment and client guidelines, taking into account changing market conditions, information and strategy developments.

The investment strategy followed by the Investment Manager to promote environmental and social characteristics will vary depending on the nature of the underlying investments.

Equity investments
The Sub-Fund aims to attain the environmental and social characteristics of improved ESG performance through exclusions and by applying an ESG tilt.

The Sub-Fund assesses good governance practices through the use of exclusionary screens. The Sub-Fund's binding ESG-related exclusionary screens assess the extent to which issuers act in accordance with relevant laws and internationally recognised standards, for example: OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, International Labour Organization's (ILO) conventions and the UN Global Compact. The Sub-Fund does not invest in companies assessed by our data provider to be in breach of these standards or that have experienced very severe social (such as those related to employee relations) or governance (such as bribery & fraud, tax evasion, governance structures, etc) controversies.

Government bonds
The Sub-Fund aims to attain the environmental and social characteristic of improved ESG performance by encouraging countries to manage their ESG risks. The Sub-Fund achieves this through exclusions and applying an ESG tilt.

Credit
•The Sub-Fund sells credit protection under index credit default swaps ("CDS") in order to gain exposure to corporate credit. The Sub-Fund aims to attain the environmental and social characteristic of improved ESG performance by gaining this credit exposure through at least one ESG-aligned CDS which excludes issuers with exposure to certain activities that have the potential to be harmful to human health and wellbeing, that have been subject to ESG controversies, or that have an MSCI ESG rating of BBB and below.

Proportion of investments

The Investment Manager will ensure that 60% or more of the Sub-Fund's investments are aligned with E/S characteristics.

The relevant E/S characteristics vary depending on the nature of the Sub-Fund's investment. The below provides an indication of the proportion of the Sub-Fund's assets expected to promote the environmental or social characteristics described, based on historical data. Investors should note, however, that actual asset allocations may vary significantly over time due to the asset mix determined by the Investment Manager and as a result of investment performance.

- Equity investments are expected to make up between 20% to 70% of the Sub-Fund's portfolio (as measured by the total Sub-Fund value). The screens and ESG tilt of the Sub-Fund are applied to all the direct equity investments of the Sub-Fund.
- Credit exposure obtained via investment in the ESG index CDS product is expected to make up approximately 5% to 10% of the Sub-Fund's portfolio (as measured by the total Sub-Fund value).
- Investments in government bonds are expected to make up approximately 15% to 35% of the Sub-Fund's portfolio (as measured by the total Sub-Fund value). The selection process for government bonds incorporates the ESG features described above.

As explained above, the ESG tilt of the equity investments is applied at the level of the five regional baskets and the portfolio of equity investments (and not at the level of individual holdings, some of which may on an individual basis have an ESG score or Low Carbon Transition score lower than the average for the regional basket or for the whole portfolio of equity investments).

It is anticipated that up to 40% of the Sub-Fund's assets may be invested in hedging and/or cash instruments for efficient portfolio management purposes, other instruments which do not align with any environmental or social characteristics, or investments for which adequate data is not available.

Monitoring of environmental or social characteristics

The environmental and social characteristics are monitored using a combination of tools / screens, portfolio surveillance tools and manual desk reviews and analyses. The investment process is subject to regular review, as part of a control and monitoring framework implemented by the Investment Manager. The Investment Manager's Compliance, Risk and Portfolio Surveillance teams collaborate with the investment team to conduct regular portfolio/performance reviews and systemic checks to ensure compliance with portfolio investment objectives and environmental and social characteristics.

Methodologies

The sustainability indicators that the Investment Manager uses to measure the attainment of the Sub-Fund's environmental and social characteristics vary depending on the nature of the underlying investments.

Equity investments

With regard to the equity investments of the product, the Sub-Fund applies the following binding elements in the investment strategy:

- **Exclusions:** the Investment Manager imposes certain ESG exclusionary screens on all the equity investments of the Sub-Fund, as set out in the Sub-Fund's Restriction Screening Policy. Further detail on the nature of these exclusions is set out above in response to the question "*What investment strategy does this financial product follow??*".
  0% of the Sub-Fund's equity investments will breach of the Sub-Fund's Restriction Screening Policy.

- **ESG tilt:** as noted above, the Sub-Fund allocates its global equity investment to five regional baskets. The Investment Manager seeks to ensure that each of the regional baskets achieve a weighted average ESG and Low Carbon Transition score that is greater than the equivalent benchmark's scores for that region. Finally, the core equity portfolio (which comprises all five regional baskets) as a whole will also achieve a weighted average ESG and Low Carbon Transition score that is greater than the MSCI ACWI index's scores. Each regional equity basket and the core equity portfolio are considered to have outperformed their relevant benchmark if they achieve a weighted average score that is better than the corresponding benchmark's weighted average score on both the MSCI ESG score and the MSCI Low Carbon Transition score.

Government bonds

With regard to the Government bond investments of the product, the Sub-Fund applies the following binding elements in the investment strategy:

- **Exclusions:** Given the Sub-Fund's exclusion outlined above in response to the question "*What investment strategy does this financial product follow??*"

  0% of the Sub-Fund's investments will be in countries with a current ESG Government Rating "CCC". The ESG Government Ratings (as determined by MSCI) identify a company's exposure to and management of environmental, social and governance risk factors and consider how these factors might impact the long-term sustainability of its economy.

- **ESG tilt**: The Sub-Fund uses a proprietary GBaR Government ESG score to assess and compare each government issuer to create a proprietary Sovereign ESG benchmark upon which the Investment Manager overlays credit research. The GBaR Government ESG Score is calculated by combining:
    - the ESG score of the government, as determined by the MSCI ESG Government Rating; and
    - the year-on-year change in ESG score as determined by the MSCI ESG Government Rating

  The MSCI ESG Government Rating reflects how countries' exposure to and management of ESG risk factors may affect the long-term sustainability and long-term competitiveness of their economies. Issuers with higher MSCI ESG Government bond ratings are assessed as better managing their material ESG risk factors.

  The Investment Manager will overweight sovereigns which are outperforming the average performance in the Bloomberg Global G7 Total Return Index (excluding elements of that index which concern Canada, as Canadian government bonds do not form part of the Sub-Fund's investment universe), with regard to the GBaR Government ESG Score, while underweighting those that perform worse than the average.

  This process, however, remains subject to the Investment Manager's credit research overlay, which may result in changes to the weightings of sovereigns resulting from the process described to account for the Investment Manager's views on the credit quality of those sovereigns. In limited circumstances, application of the Investment Manager's credit overlay could result in sovereign bonds held by the Sub-Fund not outperforming the benchmark on ESG issues, though the Investment Manager does not expect that this will generally be the case.

  The application of the Sub-Fund's ESG assessment to the Sub-Fund's Government bonds benchmark aims to ensure that the government bonds in the Sub-Fund will achieve a weighted average MSCI ESG Government Rating that is greater than the weighted average score of a representative index of G7 government bonds (excluding Canada) determined by the Investment Manager with regard to the MSCI ESG Government bonds rating.

  Credit

  - **Exposure to ESG CDS:** As stated above, the Sub-Fund sells credit protection under index CDS in order to gain exposure to corporate credit. The Sub-Fund will gain this exposure through at least one ESG-aligned CDS, which references the iTraxx MSCI ESG Screened Europe Index. Exposure to this index seeks to promote human health and wellbeing, excludes issuers with ESG controversies and promotes the monitoring of ESG risks, because MSCI applies a screen to the index constituents to exclude the following entities:
    - entities breaching specific revenue thresholds due to their involvement in the following activities: adult entertainment; alcohol; civilian firearms; controversial weapons; conventional weapons; gambling; genetic engineering; nuclear power; nuclear weapons; tobacco and thermal coal;
    - entities with MSCI ESG controversy scores of 0. The MSCI ESG controversy scores measures how well an entity adheres to international norms and principles such as the UN Global Compact and ILO Core Conventions, and it rates entities based on a scale of 0 to 10; and
    - entities with MSCI ESG rating of BBB and below. MSCI ESG ratings aim to measure the key ESG risks and opportunities faced by a company and how well those risks are managed with respect to its industry peers

Data sources & processing

The Investment Manager leverages ESG data from various external vendors, notably as described above, MSCI ESG Data.

29.12.2023

in order to use as data sources to attain the environmental and social characteristics of the Sub-Fund. This data is collected and stored in the Investment Manager's centralised ESG data repository, to allow access to the information for research, portfolio analysis and construction, and client and regulatory reporting. A formal change management process is also in place to allow for enhancements as data quality/reporting improves.

The Investment Manager also leverages third-party data in order to produce proprietary insights.

The Investment Manager assesses data quality by liaising with the different data providers to obtain updates to the datasets as the regulation evolves, and ensures that ESG data adheres to relevant data governance and quality standards through procedures to assess the appropriateness and delivery of data feeds. The Investment Manager also conducts, as appropriate, due diligence on the external data providers in order to assess whether their methodologies are appropriate for the intended use case.

The SFDR dataset definitions which this Sub-Fund uses are listed below:

Data Set	Definition
Screening/Controversies	Business practices and products/services
Diversity & Inclusion	Board level diversity metrics and corporate policies
Transition & Earnings at Risk	Greenhouse gas emissions and policy risk to earnings
Environmental Metrics	Water use, waste generation, and local pollution
Carbon Metrics	Emissions, Fossil Fuel, and Power Generation
Gender Equality	Gender-related metrics and policies
ESG rating	E, S and G key issues and performance

A small proportion of the data which is used to assess alignment with environmental or social characteristics is estimated data. The Investment Manager estimates this data due to a lack of availability of reliable data. The Investment Manager will keep this lack of data under review and replace the estimated data with third-party data sources or data obtained by other means (e.g., directly from investee companies) when available.

Limitations to methodologies and data

The below outlines some of the key themes and commonalities which contribute to limitations in the methodologies and/or data and/or poor data quality of the Sub-Fund:

• Methodology differences between data providers

• Discrepancies in reported vs. estimated carbon emissions data such as Scope 3 emissions

• Data lags i.e., reporting timelines for data may not align with SFDR reporting timelines

• Data coverage gaps across asset classes, geographies, and market capitalisations

• The ESG tilt of government bonds uses a proprietary Sovereign ESG benchmark upon which the Investment Manager overlays credit research. The credit research overlay may result in changes to the weightings of sovereigns to account for the Investment Manager's views on the credit quality of those sovereigns. In limited circumstances, application of the Investment Manager's credit overlay could result in sovereign bonds held by the Sub-Fund not outperforming the benchmark on ESG issues, though the Investment Manager does not expect that this will generally be the case

Despite these limitations, some of which impact all consumers of ESG data and are not particularly specific to the Sub-Fund, the Investment Manager takes steps to mitigate the risk of these limitations hindering the Sub-Fund's ability to meet its environmental and social characteristics – these include (as appropriate), assessing vendor data quality and methodologies, comparing ESG data points between vendors or against its own internal analyses and using appropriate estimations to manage data gaps.

Due diligence

The Investment Manager undertakes extensive due diligence before implementing any trade ideas. The investment team uses both quantitative and Fundamental analysis for asset allocation decisions and tactical trade idea generation. The Investment Manager aims to identify future event risks which could influence their forward-looking volatility expectations and the broad asset allocation of the portfolios they manage. Adjustments to the asset mix reflect the Investment Manager's forward-looking volatility expectations, implemented within portfolio guidelines.

Once broad equity, fixed income and cash allocation is determined, the Investment Advisor determines tactical positions within asset classes, e.g. between equity regions, or in fixed income between high-quality government bonds and lower-quality credit. With respect to tactical trades, the Investment Manager analyses each asset's Fundamental dynamics (such as the position of the asset within the general state of the economy), valuation, and sentiment. Two out of three of these metrics must be supportive of a trade idea, though the investment team always requires Fundamental dynamics to be in favour of the trade.

Last but not least, the Investment Manager conducts comprehensive ESG due diligence to determine the material ESG risks and opportunities that exist in the portfolio and aims to manage them accordingly. Investors should note, however, that in contrast to the environmental or social features described elsewhere in this disclosure the Investment Manager's consideration of these issues is undertaken on a non-binding basis only.

While the Investment Manager's views and trade ideas are independent, they may leverage third party data and research when undertaking such analysis. Risk management is embedded in the investment process, as described previously, and a distinguishing feature of the investment process is its explicit focus on risk as the key driver of the asset mix. Whilst the Investment Advisor is ultimately responsible for risk management within the portfolio, the Investment Manager is also supported by internal teams including Risk, Portfolio Surveillance and Compliance at the firm level, which provide control oversight.

All investments will be subject to the above due diligence process, and the Investment Manager uses controls (such as regular checks) in order to ensure this.

Engagement policies

The Investment Manager believes that they have a duty to work with the firms in which they invest, to help manage any potential adverse impact and improve their ESG performance. The Investment Manager fulfils this duty by engaging with the companies in which they invest and by exercising proxy voting and other rights as shareholders. These stewardship activities give the Investment Manager the opportunity to guide companies in which they invest toward better ESG practices. Typically, the Investment Manager's main engagement priorities are guided by top-down thematic-based research and an assessment of material ESG risks by the Investment Manager's dedicated ESG analysts. The Investment Manager believes this is the best approach for its strategy, as researching risks to the global economy and global markets is integral to the Investment Manager's asset allocation process. This approach therefore ensures that stewardship is seen as a natural extension of the Investment Manager's philosophy around risk control. The Investment Manager monitors and aims to engage with investee companies which are close to breaching the MSCI ESG Controversies score, in order to assess the risk of any ESG controversies and encourage better behaviour. This complements the exclusionary screening of investee companies which have breached the MSCI ESG Controversies score (as described above) by the Sub-Fund.

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Designated reference benchmark

The Sub-Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.