



MERCIER VANDERLINDEN

CERTIFICATION 1st SEMESTER 2023



MERCIER
VANDERLINDEN

Forum Ethibel is a Belgian association that actively promotes Corporate Social Responsibility (CSR) and Socially Responsible Investing (SRI) to accelerate the transition to a more sustainable society. In this context, Forum Ethibel develops products and services **to promote transparent and sustainable behavior in financial markets**.

A **Forum Ethibel certificate** offers the guarantee that the rules imposed by the customers themselves are complied with and offers the advantage to confirm and communicate this to the stakeholders. It concerns the **non-financial criteria** of the organization, laid down in its specification.

The basis for this consists of:

- Non-financial criteria that are **detailed, clear and publicly** formulated.
- Minimum criteria related to **labor and human rights, environment and armament**.
- A systematic and **periodic check**.

This Forum Ethibel certificate therefore assesses the vision and values of Mercier Vanderlinden for the allocation of the assets entrusted to it and checks whether it meets the desired quality requirements. This is to encourage companies and financial institutions to minimize negative and allow potential positive impact on their environment and society.

*To investors approached by Mercier Vanderlinden,
To the financial partners of Mercier Vanderlinden,
To the public,*

Early 2022, **Mercier Vanderlinden (“MVdl”)** has decided to appoint an external auditor to independently assess compliance with their self-imposed ESG¹ policy. **Forum Ethibel asbl** is appointed by **Mercier Vanderlinden** to carry this independent verification of compliance with their ESG guidelines. This self-imposed policy is applied on their direct equity investments.

Forum Ethibel solely acts as auditor and certification institute. A **Forum Ethibel** certificate provides evidence that the defined processes are in line with its non-financial criteria and processes as defined by its policies, regulations or otherwise stated specifications.

Portfolio ID's

Equity Portfolios

On request by MVdl, this independent portfolio screening **focuses on the direct equity investments of three investment funds**. For this, we refer to 'equity portfolios'. For Merclin Institutional, the equity portfolio refers to 90-95% of the total portfolio of the fund. The equity portfolio represent 90-100% of Merclin Global Equity. The last fund is a **patrimonial fund** which invest in both corporate bonds and equity. For this fund, the equity portfolio represents 50-60% of the total portfolio. The remaining part of this patrimonial fund is not invested in equity and thus **not in scope** of this certification.



The following equity portfolios of the mutual funds are included in this certificate:

- **Merclin Global Equity**
- **Merclin Institutional**
- **Merclin Patrimonium**

Based on the European Union's **Sustainable Finance Disclosure Regulation (SFDR)**ⁱ, all three funds are categorized as an article 8 product.

ESG Investment Criteria

For all **equity investments** MVdl applies an ESG policy. This policy exists out of a combination of negative and positive sustainability strategies.

Negative sustainability strategies refer to the principle of 'do no harm'. This refers to excluding companies violating universally agreed norms such as the **United Nations (UN) Global Compact**ⁱ. In addition to this, Mercier Vanderlinden does not invest in companies that are excluded by the **Government Pension Fund of Norway**ⁱ. This pension fund publicly communicates a list of companies in which it has decided not to invest. This exclusion list also contains companies violating important international norms which can be linked to the UN Global Compact. Companies active in controversial activities such as controversial weapons, tobacco production or thermal coal are also subject to exclusions.

Positive sustainability strategies refer to investing in companies based on their positive ESG-performance. Hereby, Mercier Vanderlinden has decided that at least 2/3 (approximate 67%) of every equity portfolio is invested in companies that are considered to be **Best-in-Class**. These companies have an above average ESG-performance allowing to be ranked amongst the 'best 50%' of companies in their sector. For the remaining part of the equity portfolios, MVdl limits investments in companies that have a poor ESG-performance. These are companies concluded to poorly address ESG risks. Based on this, an equity portfolio cannot invest more than 15% of the portfolio weight in companies that are ranked in the 'bottom 25%' in their sector.

Finally, Mercier Vanderlinden **challenges** ESG data providers. MVdl currently partners with Sustainalytics to access ESG information of companies and relies on the exclusion list of the Norwegian Pension Fund. Occasionally, the asset manager can **disagree** with some conclusions made by this ESG data provider and exclusion list. In these situations, a formal internal process is in place to discuss such cases and to formally approve this. These companies are internally reviewed every twelve months. To ensure **Transparency**ⁱ, MVdl elaborates on their website openly for which companies and what reasons it concluded to disagree and invest nonetheless. It focuses to ensure a **transparent communication to its investors**. This certificate includes for each equity portfolio what percentage is invested in companies part of Transparency.

In summary, the following four sustainability strategies are applied:

- **UN Global Compact**: Exclude companies that fail ("fail") to respect these universally agreed principles.
- **Exclusions**: Exclusion of undesirable activities, practices or companies.
- **ESG-integration**: Systematically considering environmental, social and governance (ESG) when assessing organizations in addition to traditional financial analysis.
- **Best-in-Class**: Selecting the best players within each sector, based on their positive ESG performance. For example, one can select only the best half, but it is also possible to be more or even less strict.

Certification

On the basis of six-monthly controls, Forum Ethibel will, on the one hand, verify the **conformity of investments** in direct lines based on the above requirements. For the transparency, on the other hand, Forum Ethibel will assess if the decision making process and public communication on derogations from the data provider’s conclusions and **exclusion list of the Norwegian Pension Fund** is respected.

Findings

Forum Ethibel executed a first portfolio screening on the equity portfolios of Merlin Global Equity, Merlin Institutional, and Merlin Patrimonium. These **equity portfolios are fully in line with the guidelines stipulated above.**


The table below will provide an overview of the overall findings. This also communicates what percentage of each equity portfolio is invested in companies belonging to the Transparency section.

	 UN Global Compact	 Exclusions	 ESG-integration	 Best-in-Class	 Transparency Exceptions part of equity portfolio
Merlin Global Equity	✓	✓	✓	✓	✓ 4,5%
Merlin Institutional	✓	✓	✓	✓	✓ 4,7%
Merlin Patrimonium	✓	✓	✓	✓	✓ 4,9%

Conclusion

In conclusion, our review shows that the above mentioned equity portfolios respect the ESG policy guidelines of Mercier Vanderlinden in scope of this certification.

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Forum Ethibel asbl



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Sustainability explanation ⁱ

- ESG refers to the three pillars of sustainability, namely an organization's performance on 'environment', 'social policy' and 'governance'.
- **Mercier Vanderlinden's ESG policy** is publicly available on their website. For **Transparency**, clarifications motivating why MVdI decides not to follow the conclusions of the ESG data provider can also be accessed on the website (named 'ESG Toelichtingsfiche').
<https://merciervanderlinden.com/nl/legal-info/>
- **Sustainable Finance Disclosure Regulation (SFDR)** is a European directive. The SFDR entails, amongst other, how investment products are categorized on the basis of the extent to which they take sustainability into account. This can be divided into the following three categories:
 - Article 6: There are no sustainable ambitions.
 - Article 8: Products that include environmental and/or social features are promote and invest in companies that follow practices of good governance practices.
 - Article 9: Products that aim to be a sustainable investment where there is a clear impact objective is linked to it.
- The **Government Pension Fund of Norway** publicly communicates what companies it excludes. The exclusion policy can be found [here](#). The list with excluded companies is available [here](#).
- The **United Nations Global Compact** articulates ten principles focused on human rights, labor rights, environment and anti-corruption. These principles are based on international United Nations conventions such as the Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.
www.unglobalcompact.org