Sustainability Risk Policy

Eurinvest Partners S.A.

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1. Introduction

1.1. Scope and Regulatory background

The present document has been written following the entry into force of Sustainable Finance Disclosure Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter referred to as “SFDR”, or the ‘Regulation’).

This Sustainability Risk Policy describes Eurinvest Partners S.A. (‘EIP’) approach of integrating and monitoring sustainability risks arising from the investment decision making processes that are in scope of the Regulation.

SFDR comes as a part of the European Union’s sustainable finance program which comprises inter alia besides SFDR the so-called Taxonomy Regulation which provides a common language and a clear definition of what is ‘sustainable’.

The ESG Policies are designed with a view to comply with the requirements set out in:

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “SFDR”);

- The Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

- The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088;

- The Commission Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

1.2. Definition

Sustainability risks are defined by article 2(22) of SFDR as "environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment."

Those risks can therefore be climate-related, or related to other environmental, social and governance practices, and can be identified across asset classes, sectors and geographies, or on the basis of length and maturity. Key definitions of ESG components are provided below:

Controversial Weapons: Controversial weapons include biological, chemical, and nuclear weapons, cluster weapons and munitions, personal landmines and antipersonnel mines.

Controversial behavior: behavior that violate the United Nations Global Compact Principles covering human rights, labor rights, environment and corruption & bribery considerations. EIP acts in accordance with the UN Global Compact to assess the behavior of investee companies.

ESG: "**E**" stands for ***Environmental*** considerations which refer to climate change mitigation and adaptation, as well as the environment more broadly and the related risks. Environmental risks include climate change, natural resource utilization, pollution and waste, the use of clean technology and energy efficiency, consideration of ESG impact on investment decisions and workforce standards and protections.

"**S**" stands for ***Social*** considerations which refer to issues of inequality, inclusiveness, labour relations, investment in human capital and communities. Social also includes civil and human rights, diversity and equitable opportunities, access to capital and education, global health and medical technologies, affordable housing, Government and community relations as well as labour management relations.

"**G**" stands for ***Governance*** of public and private institutions, including management structures, employee relations and executive remuneration. As such, a good Governance plays a fundamental role in ensuring the inclusion of the ***Social*** and ***Environmental*** considerations in the decision-making process. Governance also includes Board composition, accountability and executive compensation, business ethic and compliance, shareholder rights and stakeholder dialogue, cyber security and internal control.

ESG Factors: The EBA (European Banking Authority) defines this concept as factors with environmental, social or governance characteristics that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individual.

Investment Advice: Means the provision of personal recommendations to a client, either upon its request or at the initiative of EIP, in respect of one or more transactions relating to financial instruments, as defined in point (4) of Article 4(1) of Directive 2014/65/EU.

Serious violation: means countries that are in serious violation of ESG, particularly with regard to political stability or where the governance structure is deemed as unsustainable. EIP excludes all investments issues or listed in countries that are considered controversial and deemed as high-risk jurisdictions by the United Nations Security Council.

SFDR: Sustainable Finance Disclosure Regulation EU 2019/2088 from 27th November 2019.
The SFDR aims to "strengthen investor protection for end-investors by reducing information asymmetries and improving disclosure regarding sustainability related matters" by creating various categories ("Articles") for undertakings for collective investment. The Regulation establishes harmonized rules for financial market participants and financial advisers relating to transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes as well as the provision sustainability information regarding financial products.

Sustainable Investment: means a direct or indirect investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Sustainability Factors: means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Sustainability Risk: Means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments conducted by EIP.

2. <u>Sustainability risk identification and management</u>

EIP has implemented this Policy to identify, assess, manage and monitor sustainability risks.

2.1. Identification

EIP has separately reviewed the sustainability risks which are potentially likely to cause a material negative impact on the value of its products' investments, should those risks occur. Examples of such risks are summarized below in section 3 of this policy and are broadly divided into the three categories of environmental, social and governance risks.

EIP treats sustainability risk as both a standalone risk, and also a cross-cutting risk which manifests through many other established principal risk types (such as financial risks, operational risks, credit risks, etc).

2.2. Assessment

Depending on the investment product, EIP shall assess sustainability risks related to an investment as follow:

A. Companies/stock selection

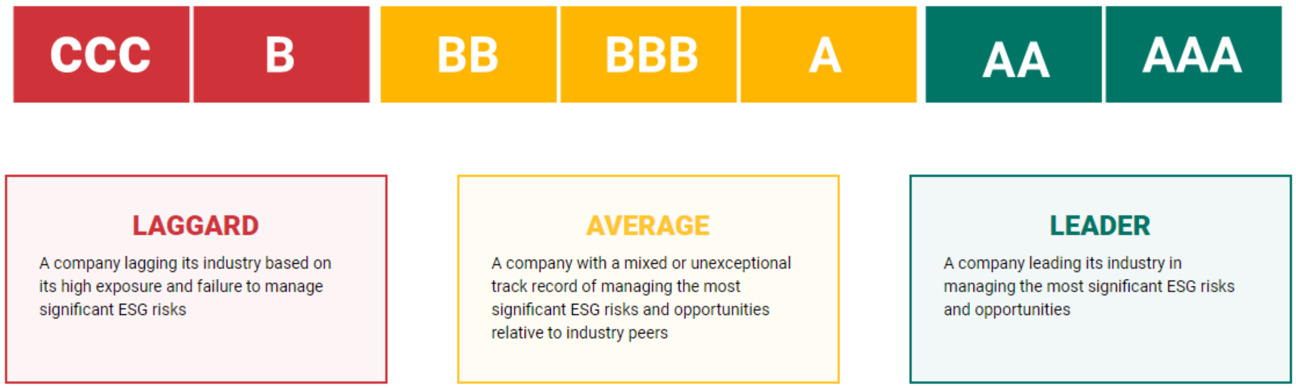
EIP includes sustainability risks listed in section 3 in the fundamental analysis it is performing on target companies composing its investment universe.

The approach to analyze a target company is based on the following three principles:

a. A long-term approach that aims to preserve and increase the value of assets over time;
b. An active and independent management, systematically seeking attractive opportunities in the financial markets;
c. A selection of quality companies, with valuations considered to be appropriate.

This long-term/fundamental analysis serves to understand the different aspect of a target company, its operations and business model, as well as to determine its valuation. By including sustainability risks in the analysis, EIP shall take into account the tangible risks of a sustainability event (for example, the impact of severe climate events) as well as the "transition" risk, which focuses on the risk to investments as the world moves towards a more sustainable environmental and social model.

To complete this analysis, EIP may rely on any of the following: internal analysis and assessment, third party data sources and independent specialist advisors. EIP shall also use an external ESG scoring model, the MSCI ESG rating. The rating model developed by MSCI performs a complete analysis of a company and provides a rating, ranging from CCC to AAA - see MSCI website for more details:



https://www.msci.com/esg-and-climate-methodologies

B. Fund selection

EIP fund-selection approach is based on the same principles mentioned above: EIP is interested in fund managers who have a long-term vision, an active and independent management, and who are paying a great attention to the fundamentals/valuations of their investment decisions.

Furthermore, EIP shall classify the sustainability risks related to a tier-fund by looking at which article (6, 8 or 9) of SFDR it is qualified to (funds being qualified as article 6 being the ones with higher sustainability risks while funds being qualified as article 9 being the ones with lower sustainability risks). This does not apply to passively managed funds, like ETFs, as due to the nature of the instrument, sustainability risks are not managed.

C. Structured products/notes

EIP shall take sustainability risk into account by assessing the underlying guarantee structure. The issuer of the guarantee shall be screened on sustainability risks by using the MSCI ESG rating.

2.3. Management

EIP manages sustainability risk in a number of ways. As mentioned above, EIP may use a list (section 3) of sustainability risks to be reviewed when performing the analysis of a target company. EIP may also use a quantitative external ESG scoring model, the MSCI ESG rating. Furthermore, when dealing with tier-funds, EIP may look at the regulatory classification, as expressed by article 6, 8 or 9 of SFDR.

EIP also applies exclusionary screening for particular issuers, industries, jurisdictions and geographies. This exclusionary screening is resulting in a list of companies that cannot be part of EIP investment universe. See EIP Exclusion List Policy.

Although EIP's investment teams are encouraged to take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent EIP from making any investment. Instead, sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk. However, EIP currently does not apply any absolute risk limits or risk appetite thresholds which relate exclusively to sustainability risk as a separate category of risk.

2.4. Monitoring

EIP's Portfolio management teams shall be responsible for the daily monitoring of portfolios, including any sustainability risks. The Risk Management team shall perform an independent monitoring function, overseeing market, liquidity and sustainability risks and applying stress tests to capture potential extreme losses. It shall be in charge of monitoring the investment universe and ESG rating of companies and tier-funds. The Investment Committee shall discuss and decide the inclusion or exclusion of any securities in the investment universe, based on several factors.

3. List of sustainability risks considered

3.1. Environmental-related risks

The five following environmental-related elements are considered when analyzing an issuer:

1. Total greenhouse gas emissions of an issuer divided by revenues. This ratio is compared to its industry average.
2. Energy consumption in GWh per million EUR of revenue of an issuer, compared to its industry average.
3. Presence of a biodiversity policy
4. Presence of water policy
5. Presence of climate change policy

3.2. Social-related risks

The ten following social-related elements are considered when analyzing an issuer:

1. Equal opportunity policy
2. Ethical policy against corruption
3. Employee protection and/or whistleblower policy
4. Training policy
5. Corporate social responsibility training for employees
6. Ethics Policy
7. Health and Safety Policy
8. Human Rights Policy
9. Child Labor Policy
10. Fair compensation policy

3.3. Governance-related risks

The ten following social-related elements are considered when analyzing an issuer:

1. Does the board of directors have an independent chairman?
2. Does each committee have at least one-third independent directors?
3. Are the CEO and the chairman of the board the same person?
4. Does each committee have an independent chair?
5. Does the board consist of at least one-third independent directors and one-half non-executive directors?
6. Are voting rights equal for all shareholders?
7. Is the remuneration of the directors linked to the long-term profit of the company?
8. Is at least one third of the board of directors (management) composed of women?
9. Does the company have a reputable and recognized auditor?

4. Updates and Annual Review

The Senior Management of EIP shall approve the ESG Responsible Investment Policy and to review the document on a regular basis and at least annually.

In order to follow a principle of good governance, EIP Board of Directors shall receive a training in order to improve and maintain a high level of knowledge of the ESG line of action and to stay informed of current and future regulatory requirements.

5. Disclosure of Sustainability Risk Policy

EIP shall post its Sustainability Risk Policy on its website, www.eurinvestpartners.com, and mail it to customers upon request.

The European Commission adopted on 6 April 2022 technical standards to be used by EIP as financial market participants when disclosing sustainability-related information under the SFDR. This Delegated Regulation specifies the exact content, methodology and presentation of the information to be disclosed, thereby improving its quality and comparability. Under these rules, EIP shall provide detailed information about how EIP tackles and reduces any possible negative impacts that its investments may have on the environment and society in general.

Moreover, these new requirements help to assess the sustainability performances of financial products. Compliance with sustainability-related disclosures shall contribute to strengthening investor protection and reduce greenwashing. This will ultimately support the financial system’s transition towards a more sustainable economy. On 31 October 2022, the European Commission adopted amendments to this Delegated Regulation to require EIP and financial market participants to disclose the extent to which their portfolios are exposed to gas and nuclear-related activities that comply with the Taxonomy, as set out in the Complementary Climate Delegated Act (CDA). By increasing transparency, these amendments will allow investors to make informed investment decisions.

6. Senior Management Approval

The Board of Directors shall be responsible for the implementation and approval of the ESG Policy. It shall review this policy at least once a year and update it as necessary to reflect changes in actual circumstances and practices.