Sustainability Risk Policies: *2025 Compilation*

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Research Article

The usefulness of the Sustainable Finance Disclosure Regulation - An explorative study into its shortcomings and challenges

Talitha Saez Cardoso, Ralph ter Hoeven

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Abstract

The Sustainable Finance Disclosure Regulation (SFDR)[1] aims to enhance transparency and curb greenwashing by standardizing sustainability disclosures. Despite its ambitious goals, the SFDR faces challenges and criticisms regarding its practical implementation and effectiveness. This article delves into these issues through an exploration of the European Commission consultations, articles, and recommendations from entities such as the Platform on Sustainable Finance (PSF), the European Sustainable Investment Forum (Eurosif), and the Dutch Authority for the Financial Markets (AFM). Our study identifies key areas where the SFDR currently falls short while suggestions for improving the effectiveness of disclosures are provided.

Relevance to practice

By dissecting the SFDR's effectiveness and areas needing enhancement, this article aims to raise awareness on the current developments of this Regulation. It highlights the practical implications of adhering to SFDR mandates, aids in navigating its complexities, and suggests improvements to foster clearer, more effective disclosures. By understanding these dynamics, practitioners can better align their strategies with regulatory requirements and investor expectations, ultimately facilitating a more transparent and sustainable financial environment.

Keywords

SFDR, sustainable finance framework

1. Introduction

As an important part of the European Commission's ('EC') Action Plan on Sustainable Finance, the Sustainable Finance Disclosure Regulation ('SFDR'), effective as per 10 March 2021, imposes rules on Financial Market Participants ('FMPs') and Financial Advisers ('FAs') to harmonise sustainability-related disclosures to end investors. On 14 September 2023 the EC launched two consultations – one public and one targeted – to assess the implementation of the SFDR. The aim of these consultations is to evaluate limitations related to legal certainty, the useability of the SFDR and its ability in combatting greenwashing.[2]

In this context, our article aims to conduct a circumscribed analysis of the SFDR by examining inputs from the consultations, and other relevant publications. We aim to identify the shortcomings and challenges underlined during this consultation process. Our research question is:

What common shortcomings and areas for improvement have been identified in the responses to the EC consultations on the SFDR?

To answer this, we examined the responses to the Commission's consultation from the Platform on Sustainable

Finance ('PSF'), the European Sustainable Investment Forum ('Eurosif') and the Dutch Authority for the Financial Markets ('AFM'). The selection of stakeholders was based on choosing one representative from expert groups (the PSF combines expertise on sustainability from the corporate and public sectors, academia, civil society, and the financial industry), one representative from the sustainable investment industry (the Eurosif, a partnership of Europe-based national Sustainable Investment Fora, whose network includes institutional investors, asset managers, financial services, index providers, and ESG research and analysis firms), and a representative from a national competent authority. The Dutch Authority was chosen because non-financial information disclosure in the Netherlands began earlier compared to most EU countries (Hubers and Thijssens 2020; Kolk et al. 2001).

After this introduction, we will describe in section 2 the current state of the SFDR including its embedding in the Action Plan on Sustainable Finance, its main requirements and the reasons for the Commission's consultations. In section 3 we will describe our research method, followed by an analysis in section 4 in which we respond directly to the research question. We will conclude with some final observations.

2. Current state of the SFDR

2.1. SFDR landscape: context and developments

At the European Union ('EU') sphere, the history of the SFDR starts in March 2018, when the European Commission adopted the Action Plan on Sustainable Finance. The strategy to connect finance with sustainability included key actions divided into three categories:

1) reorienting capital flows towards a more sustainable economy;
2) mainstreaming sustainability into risk management; and
3) fostering transparency and long-termism.

The last category is tied to disclosure and accounting because investors and other stakeholders should be provided with information to assess companies' long-term value creation and their sustainability risk exposure.

In December 2019, the Commission presented the European Green Deal, an ambitious roadmap aimed at transforming Europe into the world's first climate-neutral continent by 2050. In this context, sustainable finance plays a key role supporting the policy objectives of the European Green Deal by steering private investment towards the transition to a climate-resilient, resource-efficient, and fair economy, complementing public funding.[3] The SFDR contributes to these objectives by laying down harmonised rules for FMPs and FAs concerning transparency in integrating sustainability risks and considering adverse sustainability impacts in their processes. Additionally, it sets rules for presenting sustainability-related information regarding financial products.[4]

The SFDR has been applied since 10 March 2021, and as an EU-Regulation (2019/2088) adopted by the European Parliament and the European Council based on a Commission proposal, it is also referred to as SFDR *level 1*. In order to specify the details of the information required by the SFDR level 1, the European Supervisory Authorities ('ESAs') developed draft Regulatory Technical Standards ('RTS') which were endorsed by the Commission as the SFDR Delegated Regulation (2022/1288) known as *level 2*, and applicable since 1 January 2023. Given that the SFDR was one of the first elements of the EU sustainable finance framework, it is also one of the first to undergo a review to evaluate the fitness for its intended purpose.[5]

2.2. EU co-legislators' intentions

The essential objective pursued by a legislative act is primarily explained by the so-called recitals in EU law (Den Heijer et al. 2019). Therefore, the aim of the co-legislators with the SFDR level 1 can be found in its recitals, specifically recital 8, which outlines the scenario by highlighting the catastrophic consequences of climate change and other sustainability-related issues, and the need to steer capital from the financial services sector. This is achieved by requiring FMPs and FAs to disclose specific information regarding their integration of sustainability risks and the consideration of adverse sustainability impacts.

Furthermore, recital 9 explains the situation that arises in the absence of harmonised EU rules on sustainability-related disclosures to end investors. This lack of uniformity makes it difficult to compare financial products, creates an uneven playing field, and poses further internal market barriers, as disclosure standards and market practices vary widely. Busch (2024) notes that divergent national rules and market practices can confuse investors and may result in investments being promoted as sustainable when they are not, the so-called greenwashing.

In addition, recital 10 reveals the goal to diminish information asymmetries in relationships between principals (end investors) and agents (FMPs or FAs), i.e. information on the integration of sustainability risks, consideration of adverse sustainability impacts, and information through pre-contractual and ongoing disclosures. Another objective of the SFDR is the introduction of a mandatory due diligence regime for all large FMPs with respect to the principal adverse impacts of investment decisions on sustainability factors[6] (Lovisolo 2024).

Furthermore, the SFDR aims to harmonize sustainability-related fiduciary duties, as explained in recital 12. 'Fiduciary duty' mandates institutional investors and asset managers to act in the best interest of their end-investors or beneficiaries (European Commission 2018). Among the goals of the Action Plan on Sustainable Finance, there is increasing transparency towards end-investors regarding how sustainability factors are integrated into investment decisions, including in terms of exposure to sustainability risks.[7] Under the SFDR, FMPs and FAs are required to integrate and continuously assess all relevant sustainability risks in their due diligence processes.

Recitals are the primary, but not the only, source for explaining why an act is adopted; the Commission's impact assessments, explanatory memoranda, and the wording of the actual enacting provisions also provide the underlying reasons for the regulations (Den Heijer et al. 2019). Article 1 of the SFDR level 1 is clear on the subject matter of the SFDR, which is to define harmonised rules for FMPs and FAs on transparency regarding (i) the integration of sustainability risks, (ii) the consideration of adverse sustainability impacts in their processes, and (iii) the provision of sustainability-related information with respect to financial products.

It is widely recognized that regulators often act upon incomplete information, as inaction could lead to even greater negative impacts. As Grünewald et al. (2023) articulate in another context, but also applicable here, it is better to be roughly right than exactly wrong. The European Commission (2023) in its targeted consultation acknowledges the market demand for tools to communicate the sustainability performance of financial products. At the same time, it recognizes the concerns around the current market use of the SFDR as a labelling regime leading to risks of greenwashing, because the existing definitions were not conceived for that purpose. As the consultation remarks, the intention was to encompass as wide a range of products, so that any sustainability claims had to be substantiated. In the next section, we will present some of the current misapplications of the SFDR and the reasons behind the Commission's consultation.

2.3. Experiences with the application of SFDR

The SFDR was established to standardize disclosures to end investors in investment decision-making and in advisory processes on the following items:

1) integration of sustainability risks
2) consideration of adverse sustainability impacts
3) sustainable investment objectives, or promotion of environmental or social characteristics[8]

The SFDR applies to two groups of entities: FMPs[9] and FAs.[10] Both are required to disclose detailed information in pre-contractual documents[11], websites and periodic reports, as ongoing disclosures to end investors minimizing information asymmetries in principal-agent relationships.[12] In other words, FMPs and FAs operating as agents of end investors acting as principals.

Furthermore, as set out in recital 12 of SFDR Level 1, the SFDR upholds the requirements for FMPs and FAs to act in the best interest of end investors. This includes conducting adequate due diligence before making investment decisions or advises on behalf of or towards these investors. To fulfil their responsibilities, FMPs and FAs must integrate all relevant sustainability risks into their processes, including in their due diligence processes. They must continually assess these risks, which may have a significant negative impact on the financial return of an investment or advice, in addition to all relevant usual financial risks. As a result, FMPs and FAs are required to outline in their policies how they integrate these sustainability risks and make these policies publicly available.[13]

As explained in the previous section, despite the primary aim of the SFDR being to harmonize sustainability transparency – meaning that the SFDR was built as a transparency and anti-greenwashing regime (Zukas 2024) – the disclosure requirements formulated in Article 8 and Article 9 of the SFDR level 1 have been used as sustainability labels and understood as such by investors (European Supervisory Authorities 2024a). Aware of this misapplication, the targeted consultation itself recognizes that Articles 8 and 9 have been used as *de facto* product labels (European Commission 2023), which might lead to risks of greenwashing.[14]

In order to understand the current discussions on a potential establishment of a categorisation system for financial products, we have to understand first how the SFDR has been applied as a labelling regime in market practice. In short, when it comes to financial products, there are different levels of sustainability ambition, which in practice have been labelled as Article 6, Article 8 and Article 9 products, as summarized in Table 1.[15]

Table 1. Overview SFDR articles.

SFDR articles	Overview
Article 6	All financial products, regardless of their sustainable nature, have to disclose how sustainability risks are integrated into their investment decisions, and the likely impacts of these sustainability risks.
Article 8	A financial product that promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.
Article 9	A financial product that has 'sustainable investments' as its objective.

As observed by Ramos Muñoz et al. (2024), it is acknowledged that the SFDR has become a *de facto* labelling scheme. From this perspective, the disclosure rules might not be sufficient to protect investors, ensure comparability, or steer capital towards sustainable investments. Consequently, for example, more than 40 per cent of the investment funds that present themselves as sustainable have invested in companies deriving a significant part of their revenues from fossil fuels, as demonstrated by *The Great Green Investment Investigation*,[16] where Follow the Money, Investico and nine leading European media gathered the portfolios of almost 1,300 funds containing 300,000 investments with a total value of 525 billion euro. In section 4, we will delve deeper into the current flaws observed in the SFDR application, which the Commission has tackled in its consultation under analysis.

An important aspect to consider is that the EU has implemented its sustainable finance agenda by not only adopting the SFDR but also the Taxonomy Regulation, the Benchmark Regulation, the European Green Bond Regulation, and the Corporate Sustainability Reporting Directive ('CSRD'). The sustainability concepts interactions – underpinning this framework – have been clarified by multiple Commission FAQs and ESAs publications.[17] Noteworthy, the Taxonomy Regulation also lays down a disclosure framework, in addition on being a common dictionary for environmentally sustainable economic activities.[18]

Another fundamental concept introduced by the SFDR is the so called Principal Adverse Impact (PAI)[19], defined as 'those impacts of investment decisions and advice that result in negative effects on sustainability factors'.[20] For large FMPs[21], it is mandatory to integrate in their due diligence processes the procedures for considering the PAIs alongside the relevant financial and sustainability risks. PAI disclosures are required at entity level and product level. The first applies to both FMPs and FAs by publishing an annual PAI statement on their websites, following the template provided by SFDR level 2. The second applies only to FMPs that publish an entity level PAI statement by including in the pre-contractual documentation of their financial products a clear and reasoned explanation of whether, and, if so how, the financial products consider PAIs on sustainability factors.[22]

2.4. Consultations of the EU Commission

Both the targeted and the public consultation cover the following two topics: (i) current requirements of the SFDR, and (ii) interaction with other sustainable finance legislation. Since the targeted consultation was designed to gather input from stakeholders more experienced in the SFDR, it covers two additional topics: (iii) potential changes to the disclosure requirements for financial market participants; and (iv) potential establishment of a categorisation system for financial products.

The targeted consultation aimed to collect input from public entities and stakeholders with a thorough understanding of the SFDR in the context of the EU's sustainable finance initiatives or an extensive knowledge or practical experience with sustainable finance disclosure practices. The Commission encouraged contributions from diverse stakeholders, such as financial market participants, investors, non-governmental organizations, national competent authorities, and others affected by the SFDR either directly or indirectly.

In May 2024, a summary report on the public and targeted consultations was published.[23] According to this document, 324 organisations and individuals contributed to the targeted consultation. Of these respondents, 63% were FMPs and FAs, consisting mostly of asset managers (75%), insurance companies (14%), and banks (10%). The second most represented group of respondents were NGOs, making up 11%. The summary report indicates that 51 respondents contributed to the public consultation, and this group is predominantly composed of FMPs and FAs (37.3%) and NGOs (15.7%).

The purpose of the consultations, as explained by Commissioner Mairead McGuinness, is to conduct a detailed evaluation of the SFDR in order to identify any potential deficiencies, with a focus on ensuring legal clarity, enhancing the regulation's usability, and reinforcing its effectiveness in preventing greenwashing.

3. Research approach

Considering that the Commission's consultations specifically address the SFDR level 1, this study primarily concentrates on that tier. References to SFDR level 2 are explicitly stated; otherwise, any mention of 'SFDR' throughout this article should be understood to pertain to SFDR level 1. We have assessed the main points raised by the selected stakeholders, identifying common themes and overarching trends in the feedback. In doing so, recurring motifs and predominant tendencies have been identified within the feedback, thereby elucidating main themes and insights central to the stakeholders' perspectives. This analysis aids in capturing the collective sentiment and strategic directions implied by the stakeholder responses.

We have limited our review of the responses to the consultation to three stakeholder groups that we consider as key stakeholder. Firstly, we have selected the Platform on Sustainable Finance ('PSF'), an advisory body established under the Taxonomy Regulation.[24] The primary role of the PSF is to advise the European Commission on the practical application and effectiveness of the sustainable finance framework. Secondly, we have selected the European Sustainable Investment Forum ('Eurosif'), the pan-European association that promotes sustainable finance at the European level - including the EU, the wider European Economic Area, and the United Kingdom. Eurosif has been chosen for this analysis based on its substantial contributions to public policy and research on the sustainable investment market. Finally, we have reviewed the feedback of the Dutch competent authority ('AFM') given the jurisdictional relevance for many readers of this journal.

The goal is to capture a snapshot of the current landscape of the SFDR and explore possibilities to address its shortcomings. This is not intended to provide an exhaustive list of articles and publications on the SFDR, but rather to present insights from stakeholder groups selected for their relevance and up-to-date content. As addressed in section 2.4, the targeted consultation also anticipates future scenarios by examining options to address potential deficiencies. The consultation acknowledges that there are interconnected aspects across different sections. Therefore, in the next section, we will follow the four groups of the questionnaire, ensuring we avoid repetition of topics that fall under multiple categories.

4. Main topics covered in the consultations

Table 2 outlines the topics addressed in the public or targeted consultations as indicated. This section explores some common shortcomings and challenges identified in the responses from the PSF, Eurosif, and AFM, following the research approach. It is important to reiterate that the aim of this article is not to comprehensively address each shortcoming and challenge identified in the selected responses, nor does it seek to analyse all cross-references to other EU legislation listed under the second main topic covered in the questionnaire.[25]

Table 2. Addressed topics in the public or targeted consultations.

EC Consultation	Main topics covered in the questionnaire
Public and targeted consultations	1. Current requirements of the SFDR
Public and targeted consultations	2. Interaction with other sustainable finance legislation
Targeted consultation	3. Potential changes to the disclosure requirements for financial market participants
Targeted consultation	4. Potential establishment of a categorisation system for financial products

4.1. Common shortcomings identified

4.1.1. Categorisation system

In line with the EU Commission[26], the PSF agrees that the product classification under the SFDR has been misunderstood or misapplied, serving as a form of categorisation or labelling. Analogously, Eurosif supports the introduction of a formal product classification system since the current use of the SFDR as such reflects a demand for instituting sustainability-related product categories. Likewise, the AFM's response addresses the misuse of Articles 8 and 9 as labels and stresses the need for consumer-friendly product classifications.

The PSF advocates for a common categorization scheme that is structured in an easily understandable manner for retail investors. Additionally, the PSF suggests ranking financial products according to their level of transparency. This is in line with the precautionary principle[27], which mandates that disclosures should neither overstate positive nor understate negative information. It ensures that environmental integrity takes precedence when interpreting regulatory requirements or assessing compliance, especially when data is ambiguous or requires discretionary judgment.

A common categorisation scheme would address the inappropriate use of SFDR disclosure requirements, tackle the multiple national labelling regimes, and reduce fragmentation in the European market. Such a scheme should improve clarity, comparability, and consistency. In this scenario, the PSF recognises the need for refinements to enhance accessibility for retail investors, advocating for the retention of the distinction between Article 8 and 9. Additionally, it acknowledges that eliminating Articles 8 and 9 would lead to significant changes and incur substantial costs for FMPs.

Hence, the PSF proposes to the Commission a hybrid approach which neither continues Articles 8 and 9 as product categories nor introduces an entirely new labelling scheme. Instead, the proposed hybrid solution maintains a transparency-based structure while establishing a formal product classification system. This system could provide according to the PSF a clear explanation of the underlying investment processes, such as best-in-class, climate transition, and social impact focus.[28]

In its response to the Commission's targeted consultation, Eurosif also suggests implementing a hybrid approach that leverages the existing SFDR framework to create three distinct product categories: 'sustainable investments', 'transition investments', and 'binding environmental and/or social factors'. Any products that do not meet the criteria of these categories should explicitly indicate this in their pre-contractual disclosures. Furthermore, these products that do not fall within any of the three proposed categories should be prohibited from making claims related to sustainability, transition, or any other ESG references.

Similarly, in its position paper on improving the SFDR, the AFM formulates understandable sustainable product labels, including 'transition', 'sustainable' and 'sustainable impact', to align sustainability profiles of financial products with the expectations and objectives of investors. By contrast, one of AFM's key proposals is to remove the existing 'Article 8' and 'Article 9' designations to address their current misuse as substitute labels.

4.1.2. Minimum criteria

The future product categorization system could refine the distinctions between Articles 8 and 9 by developing precise minimum criteria[29], i.e., clear minimum parameters to delineate the products falling within different product categories. The PSF addresses the importance of employing a nuanced approach when setting minimum criteria for different types of financial products under the SFDR framework.

The PSF emphasizes the distinction between mandatory and optional commitments, and mandatory and optional reporting, highlighting how these should be managed to ensure meaningful and effective disclosure. The PSF's recommendations outline various product types and suggest specific minimum criteria for each, ranging from Taxonomy alignment to measurable and positive outcome. The aim is to ensure that the products not only comply with regulatory requirements but also effectively contribute to sustainability objectives.

Similarly, Eurosif endorses the establishment of formal product categories grounded in the demonstration of sustainability objectives, supported by stringent minimum criteria and accompanied by specific disclosure requirements. Additionally, Eurosif asserts that products failing to meet the minimum criteria outlined in the reviewed SFDR categories should explicitly state this non-compliance in the pre-contractual documentation.

Furthermore, such non-compliant products should be prohibited from making sustainability, transition, or other ESG-related claims, ensuring consistency across product-level documentation, websites, and marketing communications. In its position paper, the AFM also advocates for the establishment of sustainable financial product categories, underscored by minimum criteria, as a critical milestone.

4.1.3. Marketing communications and product names

Article 13 of the SFDR addresses marketing communications, explicitly prohibiting any inconsistencies between these communications and the disclosures mandated by the regulation. Nonetheless, the consultation seeks to ascertain whether the SFDR constitutes the appropriate legal framework to address the accuracy and fairness of marketing communications and the use of sustainability related names for financial products.[30]

One of the key recommendations from the PSF to improve the effectiveness of the SFDR is to ensure that there is consistency between the product's name, its sustainability marketing claims, and the actual investment strategy – especially with regard to the method of stock selection and defining the investment portfolio. There should be thorough consistency across the product and complete transparency regarding any adverse impacts from the product's elements that are not subject to mandatory disclosures.

As previously mentioned, Eurosif argues that products not falling within any sustainable category should not be allowed to make sustainability claims or promote sustainability, transition, or ESG-related characteristics. In such cases, consistency is expected between product-level documentation, website disclosures, and marketing communications. Typically, marketing rules fall under the purview of national competent authorities, which may have different interpretations of what constitutes marketing communications.

Finally, the AFM's position paper suggests that products failing to meet the criteria for sustainability labels should still be able to present their ESG features, though with a more simplified set of disclosure requirements. However, such products should not be permitted to communicate adherence to any sustainability label. Furthermore, in its response to the consultation, the AFM elucidates that, in instances of potentially misleading communications, supervisors may invoke provisions within the Markets in Financial Instruments Directive (MiFID) and the Insurance Distribution Directive (IDD), which stipulate that information must be "fair, clear, and not misleading."

4.2. Common challenges

4.2.1. Entity level disclosures

In response to the question whether the SFDR would be the right place to include entity level disclosures[31], the PSF recommended evaluating the degree to which the disclosure of PAIs at the entity level could be incorporated into the European Sustainability Reporting Standards (ESRS)[32] disclosure requirements for FMPs that fall within the scope of both the SFDR and the CSRD. Hence, the PSF believes that there is room for streamlining sustainability-related entity level requirements across different pieces of legislation.

Regarding the minimum safeguards at the entity level within the EU Taxonomy[33], the PSF calls for full alignment between the social and governance PAI indicators of the SFDR level 2 and the minimum safeguards as they stand in the EU Taxonomy, aiming to create a unified set of safeguards. Disclosures regarding the degree of alignment with the Paris Agreement represent an area for improvement at the entity level[34], whereas the PSF acknowledges that such disclosures are not currently mandatory.

Eurosif supports the maintenance of entity level PAI disclosures, though revised and improved, because they believe these disclosures should specifically address the sustainability due diligence policies FMPs have in place regarding environmental and social adverse impacts across their complete portfolio of financial products. Eurosif agrees with the Commission's assertion that certain indicators should invariably be deemed material for FMPs when reporting at the entity level, while other indicators should undergo a materiality assessment.[35]

In its response to the consultation, AFM elucidates that entity level disclosures can be beneficial for providing PAI insight. However, AFM questions the practicality of entity level PAI disclosures for informed investment decision-making. AFM suggests an alternative approach: mandating all products to report on a subset of the most critical PAI indicators. This method would maintain the objective of understanding the adverse impacts across all investment portfolios, while enhancing the relevance and utility of the disclosures for investment decisions, which are ultimately concentrated on products.

It is worth noting that one argument in favour of maintaining the existing set of entity level disclosures under the SFDR is that they provide valuable information to investors and civil society. This information enables the assessment of FMPs sustainability ambitions. On the other side of the debate, the argument against these entity level disclosures is that they are not useful for end-investors focused on their decisions to invest in specific financial products, with observations indicating that such investors rarely request comprehensive sustainability-related information at the FMP level.[36]

4.2.2. Product level disclosures

Should the EU impose uniform disclosure requirements for all financial products offered in the EU, regardless of their sustainability-related claims or any other consideration? The PSF would agree, since it advocates for mandatory minimum ESG reporting requirements, such as GHG (greenhouse gases) emissions and the EU Taxonomy disclosures, for all financial products in the long run. The PSF recommends that to make the SFDR work better, the sustainability performance of a product should be entirely reported. Just sharing information about part of the fund is not enough.

Sometimes, the negative impact of one stock in a fund might be more significant than all the sustainability efforts of the fund, jeopardizing its sustainability credibility. The PSF also stresses the importance of disclosing PAI at the product level, which should cover the entirety of the product. The PSF acknowledges that data providers implement the consideration of PAI in varied ways and suggests that additional guidance on the definitions of process descriptions (for instance, PAIs related to biodiversity and pollution) and the frequency of necessary updates would be beneficial.

Eurosif understands that disclosures on PAIs gain particular significance at the product level. At this level, relevant PAI indicators can be selectively applied based on the product's objective and the type of investment strategy it involves. In essence, PAI indicators ought to be included as part of the minimum criteria for future classifications within a revised SFDR framework. Eurosif advocates for the creation of a set of minimum disclosure requirements applicable to all financial products, which would facilitate the comparability of information and foster a level playing field. Such minimum disclosures ought to encompass how ESG factors, entailing sustainability risks, are embedded within the investment process, along with the consideration of all mandatory PAI indicators.[37]

The AFM also supports this viewpoint, as one of its core proposals is to establish a level playing field by mandating minimum disclosures requirements for all financial products, irrespective of their sustainability characteristics. Amongst such minimum mandatory disclosure requirements, there would be the obligation to report on negative impact indicators, such as GHG emissions, biodiversity, human rights, and labour rights (based on the PAI indicators of the SFDR level 2). In addition to these minimum disclosure requirements for all products, the AFM also suggests minimum quality requirements for products that aim to qualify as a specific type of sustainable product. By attaching minimum quality and minimum disclosure requirements to each sustainable product label recommended by the AFM, the approach would address greenwashing risks and ensure that classification under one of these labels is meaningful in market practice.

5. Concluding remarks

An ambitious review of the SFDR has been conducted by the European Commission, aiming to address the current shortcomings and challenges of the existing framework. We have explored in section 4 selected aspects of this review, including the current and potential categorization system, minimum disclosure requirements for all products, specific criteria for sustainable products, marketing communications, and disclosures concerning PAIs. Based on the analyzed feedback, some common recommendations have emerged:

i) Emphasis on making financial products categories easily understandable for retail investors, advocating for clear and comparable disclosures.
ii) Minimum disclosure requirements for all products (including PAI indicators) and clear minimum criteria for sustainable products.
iii) The SFDR is the suitable legal framework to address the reliability and validity of marketing communications and the use of ESG or sustainability-related names for financial products (together with the ESMA guidelines on funds' names and expected coherence with the reviewed SFDR).
iv) There is a demand for PAI entity level disclosure requirements to be simplified and streamlined across the sustainable finance framework, with concerns noted about potential overlaps with transparency requirements under the SFDR and reporting obligations under the CSRD.
v) There is support for imposing uniform disclosure requirements for all financial products offered in the EU, regardless of their sustainability-related claims.
vi) There is a need for clear guidance on how FMPs should handle materiality concerning PAI disclosures.

It is noteworthy that both Eurosif and the PSF have reiterated their support for the further development and application of a social taxonomy that could mirror the role of the EU Taxonomy for environmental objectives by defining socially sustainable economic activities. Within the European regulatory framework, consistency and coherence among the SFDR, the EU Taxonomy, and the CSRD should in our view remain a priority for regulators.[38]

To summarize, a clear, but refined, categorization of financial products aligning the sustainability profiles of financial products with the expectations and objectives of investors, is broadly supported as an outcome of the review of the SFDR. Furthermore, the visibility and comparability of negative effects on sustainability factors should be increased by enhancing PAI disclosures at product level. Additionally, legal clarity should be improved by ensuring that the rules governing the future categories have clear objectives and criteria to minimize the risk of greenwashing. This also aligns with a recent Joint ESAs Opinion (2024a) expressing their support for product categories to address greenwashing issues derived from the misuse of the SFDR, with the goal of fostering clarity, particularly for retail investors.

The experiences of the SFDR show that there is a tendency in the market to interpret disclosure requirements for sustainability purposes as *de facto* sustainability labels and to market these labels as such to end investors. In order to prevent greenwashing, not justifiable claims and misleading labels, objective and verifiable criteria should be set for including investments in any sustainability category to be developed in the next version of the SFDR. These should embed accepted views in society to categorize investments as contributing to important political objectives like those being included in the Green Deal framework of the European Union. The responses to the Commission's consultation show the above mentioned common recommendations, which can be used to improve the next version of the SFDR, thereby making the Regulation better serve its purpose: enabling investors and consumers to make more informed investment decisions contributing to the sustainable transition.

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Notes

1. 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. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2088.
2. The ESAs understand greenwashing as 'a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants' (ESMA 2024a).
3. Estimates suggest that an additional € 180 billion per year will be required by 2030 to meet climate and energy targets. A considerable portion of this funding depends on the private sector, meaning that substantial amounts of private finance must be redirected towards more sustainable investments (Spinaci 2020).
4. Article 1 SFDR level 1.
5. Mairead McGuinness in *The Sustainable Finance Disclosure Regulation* (SFDR) - *What next?*, European Commission Workshop, 10 October 2023.
6. 'Sustainability factors' mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, see Article 2(24) SFDR level 1.
7. The SFDR together with Solvency II, IORP II, UCITS, AIFMD and MiFID II requires institutional investors and asset managers to act in the best interest of their end-investors/beneficiaries (Action Plan on Sustainable Finance 2018).
8. Recital 5 SFDR level 1.
9. Pursuant to Article 2 (1) SFDR level 1, 'financial market participant' means an insurance undertaking which makes available an insurance-based investment product (IBIP); an investment firm which provides portfolio management; an institution for occupational retirement provision (IORP); a manufacturer of a pension product; an alternative investment fund manager (AIFM); a pan-European personal pension product (PEPP) provider; a manager of a qualifying venture capital fund; a manager of a qualifying social entrepreneurship fund; a management company of an undertaking for collective investment in transferable securities (UCITS management company); or a credit institution which provides portfolio management.
10. Pursuant to Article 2 (11) SFDR level 1, 'financial adviser' means an insurance intermediary which provides insurance advice with regard to IBIPs; an insurance undertaking which provides insurance advice with regard to IBIPs; a credit institution which provides investment advice; an investment firm which provides investment advice; an AIFM which provides investment advice; or a UCITS management company which provides investment advice.
11. Pre-contractual documentation is referred to in Article 6 (3) SFDR level 1 and relates to various documents for the different financial products within the scope of the SFDR. For example, for UCITS management companies, pre-contractual disclosures are required in the prospectus.
12. Recital 10 SFDR level 1.
13. Recital 12 SFDR level 1.
14. More on the actual greenwashing risks posed by the implementation of the SFDR was examined by Lambillon and Chesney (2023), Scheitza and Busch (2023), Partiti (2023), and Bodellini (2023).
15. As approached by Davison, McNalle, and North (2023), the utilization of SFDR articles as labels for ESG credentials underscores the necessity for clarity in ESG products, regardless of the original intentions of European policymakers in formulating this regulation.
16. See https://www.ftm.eu/green-deception (2024 edition).
17. To be concise, it is important to point out the recent ESAs' Consolidated Q&A on the SFDR and the SFDR Delegated Regulation (JC 2023 18) of 25 July 2024, and the Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the SFDR (2023/C 211/01) of 16 June 2023.
18. Recital 55 EU Taxonomy Regulation.
19. In short, the SFDR requires FMPs and FAs to publish an annual PAI statement on their website at the entity level. Additionally, FMPs must publish PAI information in pre-contractual documentation at the product level. In December 2023, the European Supervisory Authorities (ESAs) proposed the Regulatory Technical Standards (RTS) JC 2023 55 on the review of PAI and financial product disclosures in the SFDR Delegated Regulation, which is still pending to be adopted by the EC.
20. Recital 20 SFDR level 1.

21. Article 4(3) SFDR level 1 states that financial market participants exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year shall publish and maintain on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors. For financial market participants which are parent undertakings of a large group, see Article 4(4) SFDR level 1.
22. Article 7 SFDR level 1.
23. See https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfdr-implementation_en
24. Recital 50, EU Taxonomy Regulation.
25. The questionnaire's topic "Interaction with other sustainable finance legislation" covers the following: the Taxonomy Regulation, the Benchmarks Regulation, the Corporate Sustainability Reporting Directive (CSRD), the Markets in Financial Instruments Directive (MiFID II), the Insurance Distribution Directive (IDD), and the Regulation on Packaged Retail Investment and Insurance Products (PRIIPs). Our article focuses on the interactions with the Taxonomy Regulation and the CSRD. While we acknowledge the necessity of assessing the consequences for other sustainable finance legislation if the SFDR were to be amended following the consultation processes, this current article does not aim to undertake such an analysis. Future research may find considerable value in delving into this topic.
26. "The fact that Articles 8 and 9 of the SFDR are being used as *de facto* product labels, together with the proliferation of national ESG/sustainability labels, suggests that there is a market demand for such tools in order to communicate the ESG/sustainability performance of financial products." EU Commission, Targeted Consultation Document, September 2023.
27. For more information on the principle of precaution, see *Briefing Platform Response to the Joint ESAs Consultation on SFDR RTS*, EU Platform on Sustainable Finance, 4 July 2023.
28. Details of such an approach are in Annex 3 of the Platform Briefing on EC targeted consultation regarding SFDR Implementation (December 2023).
29. The Commission's questions on product categorisation aimed to collect feedback on how minimum criteria should be applied to different types of products. The purpose of establishing minimum criteria is to provide clear, concrete standards that products must satisfy to be considered compliant with different product categories.
30. While the SFDR review may take an extended period to complete, ESMA has published guidelines on funds' names using ESG or sustainability-related terms to address current risks of greenwashing in funds (ESMA 2024b).
31. The SFDR imposes entity level disclosure obligations on financial market participants and financial advisers. They are required to disclose on their websites their policies on integrating sustainability risks into their investment decision-making processes or their investment or insurance advice (Article 3 SFDR level 1). Additionally, they are required to disclose whether and how they consider the PAIs of their investment decisions on sustainability factors. For FMPs with 500 or more employees, disclosing a due diligence statement that includes information on adverse impacts is mandatory (Article 4 SFDR level 1). Moreover, both FMPs and FAs have to disclose how their remuneration policies are consistent with the integration of sustainability risks (Article 5 SFDR level 1).
32. The European Financial Reporting Advisory Group (EFRAG) has been working on developing ESRS sector-specific standards, including those for financial institutions.
33. Article 18 EU Taxonomy Regulation.
34. The PSF explains that FMPs have expressed their alignment with the objectives of the Paris Agreement in a rather vague manner, without identifying the indicators used to measure the decarbonisation progress of their investments.
35. In the same way, the PSF acknowledges that certain indicators are only material for companies involved in specific economic activities, such as PAI 9 (hazardous and radioactive waste ratio), PAI 5 (non-renewable energy consumption and production, specifically for energy production), and PAI 8 (emissions to water).
36. European Commission, Summary Report of the Open and Targeted Consultations on the SFDR assessment, May 2024.
37. "Given the improvements expected in the coming years regarding availability of the sustainability data due to the application of the ESRS, all mandatory PAI indicators included in Table 1 of Annex I of the SFDR Delegated Regulation could eventually be considered by all financial products. However, a phase-in approach may need to be considered, first starting with climate, diversity and human rights indicators." Eurosif's response to the European Commission targeted consultation on the implementation of the SFDR.
38. For example, the draft Commission Notice, published on 7 August 2024, question 90 explains how FMPs should deal with non-material indicators reported by investee companies applying ESRS in the context of SFDR disclosures.

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December 2024

Invesco

Invesco Group Sustainability Risk Policy

This document focuses on our regulatory compliance with the European Sustainable Finance Disclosure Regulation and should be read in conjunction with our annual Global Stewardship Report which can be found on invesco.com.

Scope

This policy applies to “financial market participants” and “financial advisers” (as defined in the European Sustainable Finance Disclosure Regulation) within the Invesco group of companies (referred to herein as “Invesco”, “we”, “us”, and “our”) which provide services in relation to “financial products” (as defined in European Sustainable Finance Disclosure Regulation)). This includes all fund management companies subject to UCITS or AIFMD, as well as all MiFID investment firms and EU insurance undertakings within Invesco.

This policy sets out how Invesco complies with its transparency obligations under the European Sustainable Finance Disclosure Regulation, Regulation EU 2019/2088 (commonly known as the “SFDR” or the “Disclosure Regulation”): https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN

Background

The Disclosure Regulation is a wide-ranging piece of European legislation, which imposes various obligations on “financial market participants” and “financial advisers” in relation to Environmental, Social and Governance (ESG) matters.

Article 6 of the Disclosure Regulation requires various Invesco entities, subject to the Sustainable Finance Disclosure Regulation (SFDR), to publicly disclose how they integrate Sustainability Risks (defined below) into their investment decisions. In effect this requires us to have in place a policy relating to such integration and to publish that policy on our website.

To achieve Invesco’s strategic objectives, it is necessary to pursue activities involving varying degrees of Sustainability Risks. The objective of this policy is to provide guidelines and principles that support the consideration and management of such risks.

Definitions

“Investment Team” means a unit of Invesco investment professionals which provides portfolio management or investment advice services to “financial products” (as defined in the Disclosure Regulation).

“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 financial value of an investment.

Examples of Sustainability Risks include:

- **Climate-related risk:** Risk associated with activities that contribute to or are negatively affected by climate change. This can include (i) physical climate risk, which involves the physical impact of climate change on the activities of an issuer, and (ii) climate transition risk, which involves policy, technology, market or consumer changes to address climate change that impact an issuer.

- **Social risk:** Risk of negative impact on an issuer connected to social issues such as labour relations, inequalities in the workforce or the physical impact on communities within which an issuer operates.

- **Governance risk:** Risk of negative impact on an issuer due to a lack of appropriate governance related matters such as board independence, risk and control frameworks, and anti-corruption measures.

Principles for Integration of Sustainability Risks in Investment Decisions

Invesco is committed to ensuring it has robust systems and processes to enable its Investment Teams to take Sustainability Risks into account when making investment decisions for Financial Products subject to SFDR in a way that best serves its clients and seeks continuous improvement in this area. Sustainability Risks are considered alongside traditional investment risks and have the potential to directly and indirectly contribute to the materiality of those traditional investment risks for an issuer. For example, Sustainability Risks can impact the risk profile of an issuer, which may in turn lead to increased price volatility and potentially the loss of value of an investment.

Invesco’s approach to integrating a consideration of Sustainability Risks into its investment decision-making processes for Financial Products is founded on three central pillars: (i) focus on financially material risks; (ii) research basis and (iii) a systematic approach.

Each Investment Team (and the investment professionals therein) must, prior to making any investment:

I. identify the relevant Sustainability Risks for each investment;

II. assess the materiality of such Sustainability Risk to the value of the investment.

Investment Teams will utilise one or more Invesco proprietary methodologies to support the identification, assessment and ongoing monitoring of Sustainability Risks and will maintain appropriate written/electronic records of relevant conclusions and decisions.

Each Investment Team must use a consistent methodology or other procedure to comply with the steps above across the Financial Products which they manage or advise using similar strategies.

There is no requirement for all Investment Teams to take an identical approach, given the differences that exist between geographies, asset classes and investment theses.

Processes for Integration of Sustainability Risks in Investment Decisions

Each Investment Team has its own method of systematically integrating consideration of Sustainability Risks into its investment process for the Financial Products it manages. Procedural implementation will vary depending on asset class, geography and investment strategy. Also, some institutional clients may request us to implement specific processes that differ from those summarized herein, for their particular portfolios. What follows is therefore a description of the approach across different Investment Teams or (where appropriate) investment strategies:

1. Discretionary Strategies subject to SFDR [1,2,4]

For discretionary active investment strategies implemented with securities, the investment approach integrates the consideration of Sustainability Risks deemed to be financially material to a given issuer or industry, in the context of the relevant investment objective and policy at various stages of the investment process. Investments for discretionary active investment strategies (except for all forms of derivatives) will be assessed for any identified Sustainability Risks, using one or more methodologies, depending on the strategy. These assessments may be taken into account alongside other investment factors during the research process and in investment decisions, and also in any subsequent engagement activities with investee companies.

2. Quantitative Strategies subject to SFDR [1,2,4]

Invesco integrates Sustainability Risks into investment decisions for quantitative strategies systematically as part of the core research process. Invesco and third-party research are continuously analysed to identify sustainability-related indicators which may drive better investment performance and/or reduce risk. When such correlations are verified, the relevant metrics are added as factors within the Investment Team's core optimising models and automatically applied to reduce the relevant Sustainability Risks.

3. Real Asset Strategies subject to SFDR [1,3]

Invesco integrates Sustainability Risks into investment decisions on real assets through a multi-step process which starts with the identification of Sustainability Risk indicators and factors considered to be material to a given investment, in the context of the relevant investment objective. Invesco considers the sustainability assessment together with other material factors in the context of the specific assets and investment strategy.

4. Exchange Traded Funds (ETF) subject to SFDR [4]

When launching new ETF funds, Invesco's product development process will take into account the rewards and benefits of the proposed fund strategy, along with, where possible, an assessment of Sustainability Risks.

a. Passively managed ETFs subject to SFDR

The product development process involves considering the risks and benefits of adopting a benchmark. Assessments of Sustainability Risks are not conclusive and do not necessarily mean that the Investment Team will refrain from tracking a benchmark. Once a benchmark has been selected, since the strategy of these products is to track or replicate a benchmark, there is no exercise of discretion by the Investment Team to actively select/deselect securities. Where a sampling replication strategy is adopted, the selection of securities is aimed at minimizing the tracking error against its benchmark. Accordingly, for passively managed funds there is no integration of Sustainability Risks unless it is incorporated into the index methodology (as may be the case for ETFs which have ESG characteristics).

b. Actively managed ETFs subject to SFDR

The relevant Investment Teams of actively managed ETFs integrate a consideration of Sustainability Risk in the investment decision making process in the manner described above in section 1 and 2.

Invesco Investment Management Limited's Sustainability Risk Policy contains further information on its approach to sustainability risk integration. Please refer to that policy for most current information.

[1] Applicable to Invesco Management S.A.
[2] Applicable to Invesco Asset Management Deutschland GmbH
[3] Applicable to Invesco Real Estate Management S.a.r.l.
[4] Applicable to Invesco Investment Management Limited

Blackstone

Sustainability Policy

Introduction

Our mission at Blackstone is to fulfill our fiduciary duty by creating long-term value for our investors and shareholders. Accordingly, Blackstone is committed to integrating sustainability considerations into our investment process and pursuing an operating philosophy where these efforts can contribute to value creation.

This Sustainability Policy outlines our firmwide approach to integrating sustainability considerations in our business and investment activities. Certain of our business units maintain their own individual sustainability policies, which are aligned with this policy while reflecting the unique factors applicable to their respective investment strategies.

Roles and Responsibilities

Blackstone's Chairman / CEO and President / COO have ultimate responsibility for overseeing Blackstone's Sustainability Policy. Blackstone's Board of Directors reviews the Firm's sustainability strategy and receives quarterly reports that address corporate and business unit sustainability efforts, as applicable. The Sustainability Steering Committee, consisting of senior corporate leaders, receives periodic updates and advises on sustainability matters.

Blackstone's Corporate Sustainability Team seeks to support firmwide coordination and provide transparency through reporting efforts. Dedicated Sustainability Heads are embedded across our business segments and partner with investment professionals to consider material[1] risks and opportunities throughout the investment lifecycle.

Focus Areas

Our scale enables us to extract unique insights and pursue sustainability initiatives that position our portfolio companies, assets, and investments (collectively, Portfolio Companies) for long-term success. We focus our team's efforts on managing the most pronounced portfolio risks and pursuing the greatest opportunities to enhance performance. The team also offers resources to promote the adoption of value accretive sustainability practices at scale.

Accelerating Decarbonization

We strive to deliver strong returns for our investors by strengthening our Portfolio Companies, including through climate-related programs that seek to reduce energy costs and emissions. We engage select Portfolio Companies and equip them to advance their decarbonization efforts through our Decarbonization Accelerator. The Accelerator includes our target to reduce carbon emissions across certain new Portfolio Companies, acquired after January 1, 2021 where we control energy usage, by 15% on average within the first three calendar years of ownership.[2]

1 For the purposes of this Sustainability Policy, "material" sustainability factors are defined as those sustainability factors determined to have—or have the potential to have—a material impact on creating, preserving, or eroding economic value for that Portfolio Company and its relevant stakeholders. The word "material" as used herein should not necessarily be equated to or taken as a representation with respect to the "materiality" of such sustainability factors under the US federal securities laws or any similar legal or regulatory regime globally.

2 For additional information, see Blackstone's Emissions Reduction Program.

Building Strong Workforces

We believe being attentive to the wellbeing of our Portfolio Companies' employees is foundational to building successful businesses. Blackstone's Workforce Principles guide our efforts to encourage Portfolio Companies to adopt and maintain strong workforce management policies. We aim to drive value by supporting our Portfolio Companies in broadening the pool of high-quality talent from which they recruit and by encouraging their participation in signature initiatives, including Blackstone Career Pathways.

Reinforcing Good Governance

We believe strong governance is a foundation on which resilient and financially sound companies are built. We seek to implement governance structures that support compliance and performance both at the corporate level and across our business units and integrate sustainability-related considerations into the firm's overall risk management practices.

Integrating Sustainability Factors in the Investment Process

Pre-Investment

We generally consider applicable, material sustainability factors as part of evaluating new investments, to identify and address potential investment opportunities to create value and related risks.[3] For certain investments, our team engages external counsel or other advisors to assist in conducting sustainability due diligence. While exact processes may be tailored to each business unit or fund, due diligence across our major businesses includes a review of material sustainability factors and, where applicable, escalation of material findings to investment decision-making bodies.[4]

Depending on the circumstances and materiality to any given investment, the sustainability factors that may be incorporated into our pre-investment diligence and post-investment monitoring and engagement efforts include, but are not limited to, the following:

- Greenhouse gas emissions
- Air pollution
- Waste management (including land and water impact)
- Energy management and efficiency
- Land use
- Climate risk
- Biodiversity
- Diversity & Inclusion (including anti-discrimination)
- Human rights and modern slavery
- Employee health and safety
- Labor relations and practices
- Customer privacy and security
- Product quality and safety
- Corporate governance and oversight
- Risk management
- Conflicts of interest
- Transparency (including financial and operational reporting)
- Fraud, anti-bribery, and anti-corruption controls

Post-Investment Portfolio Company Engagement and Monitoring

Post-investment, we seek to monitor and measure the performance of certain Portfolio Companies through, among other ways, the administration of an annual sustainability survey and data collection processes.

Our data collection processes, along with publicly available and company-provided data, inform our Portfolio Company engagement and monitoring efforts, including through cross-business unit programs. We use this data to calculate annual GHG emissions, allowing us to measure progress and focus our efforts on the largest opportunities for achieving savings within our portfolio.

3 In accordance with the relevant business unit's individual sustainability policy, where applicable.
4 Sustainability due diligence will vary based on (i) the nature of the investment, (ii) the transaction process and timeline, (iii) the level of access to information, specifically as it pertains to sustainability factors, and (iv) the target investment's sector or business model.

We seek to encourage and implement appropriate governance structures, policies, controls, and processes at our Portfolio Companies to strengthen them and thereby enhance returns. For certain Portfolio Companies that are not controlled or otherwise not in scope, we may provide access to firmwide resources and expertise to support sustainability initiatives where they can drive value creation.

Reporting and Engagement

We regularly engage with our limited partners, investors, and industry on sustainability matters. Our Sustainability Report provides updates regarding our sustainability program firmwide, and we provide sustainability updates on our website.

Blackstone is a member of the Business for Social Responsibility (BSR), ILPA Diversity in Action Initiative, a signatory of the Principles for Responsible Investment (PRI), and provides reports in alignment with the Taskforce on Climate-related Financial Disclosures (TCFD). Certain business units have elected to participate in additional sustainability-related industry organizations or working groups, as deemed appropriate for their respective investment strategies.

Scope

This Sustainability Policy covers Blackstone's investments and business units, as applicable. Certain of our business units have separate sustainability policies and specific sustainability frameworks and approaches, which consider sustainability factors according to industry, geography, asset class, strategy, and investment horizon. This Sustainability Policy is subject to Blackstone's fiduciary duties and applicable legal, regulatory and contractual requirements. Blackstone's ability to influence and exercise control over sustainability matters with respect to the companies in which its business units investment vehicles invest will vary depending on the asset class, investment structure, and contractual rights. In cases where Blackstone determines it has limited ability to conduct diligence or to influence and control the consideration of sustainability issues in connection with an investment, Blackstone will only apply those elements of this Sustainability Policy and the foregoing approaches that it determines to be practicable in light of the underlying facts and circumstances.

This Sustainability Policy is generally reviewed annually and is subject to change as the firm considers necessary or advisable. It was last updated in January 2025.

September 2024

Sustainability Risk Management Policy

Table of Content.

Sustainability is rooted in Candriam's operating model and forms a key part of its corporate culture. As part of our conviction and of our fiduciary duty to our clients, Candriam’s sustainable development strategy leads it to incorporate the overall sustainability trends that will shape the world of tomorrow into our strategic operational and investment choices.

As sustainable economic development is one of the key cornerstones of its corporate strategy, Candriam has developed a policy for identifying, monitoring and managing sustainability risks across the full scope of the assets it manages on behalf of its clients. The identification and management of these sustainability risks concern not only investment analysis, risk and portfolio management but also Candriam’s own corporate operations.

“Sustainability risks” refer to any Environmental, Social or Governance event that could affect the performance and/or reputation of an issuer in any of the portfolios managed by Candriam and/or of Candriam as a corporate entity.

Sustainability risks can be subdivided into 3 categories:

- Environmental: environmental events may create physical risks for companies. These events could, for example, result from the consequences of climate change, the loss of biodiversity or changing ocean chemistry. In addition to physical risks, companies could also be negatively impacted by the mitigation measures adopted to address environmental risks and which will impact companies differently depending on the latters’ exposure to the above risks and their adaptation to these.
- Social: refers to risk factors related to the human capital supply chain and how businesses manage the impact of these factors on society. Issues relating to gender equality, compensation policies, health & safety and risks associated with working conditions impact the social dimension. The risks of violating human rights or labour rights within the chain of supply are also part of the social risk.
- Governance: these aspects are linked to the governance structure and include board-independence management, relationships with the employees, compensation, and compliance or tax practices. Governance risks originate from a failure to monitor the company and/or the lack of incentive for the company management to uphold high standards of governance.

1. Portfolio Sustainability Risk

1.1 Define Candriam ESG product strategy and ESG characteristics

The Client Solutions Committee is the committee in charge of the development, analysis and approval of new ideas and products or specific client requests for new investment techniques or processes. Each new product or adapted product positioning is validated by the Client Solutions Committee before launch or implementation.

Taking into account Candriam's sustainability positioning and sustainable investments expertise, the ESG characteristics for new or repositioned products are included in the presentation and discussed and validated during the committee. This committee is in charge to define the SFDR Classification of the products an depending of this classification, the ESG characteristics are defined: typology of exclusions, ESG issuer Selectivity (Best In Class/Best in Universe and/or thematic approaches), impact objectives, ESG KPI (Carbon reduction objective, ….)

Also, for each portfolio a Sustainability Risk Profile is determined and communicated through the prospectus or SFDR disclosure document. The sustainability risk profile consists out of multiple scores that reflect the materiality of the ESG related risks in the portfolio and how those risks may affect performance.

The Client Solutions Committee is chaired by the Investment Solutions team and comprises representatives of different departments: Investment Management, Risk Management, Sales, Legal, Compliance and Product Management

1.2 Identification, Management and Monitoring of Sustainability Risks

a. Issuers ESG assessment & ESG investment selection

CANDRIAM apply a holistic top-down approach requiring an overall assessment of all the aspects of a business, sector or country's exposure to material ESG issues. Candriam considers that an issuer's long-term value or financial risks are not solely influenced by financial criteria such as operating margin income or growth. By incorporating environmental, social & governance (ESG) criteria, we identify other factors that may influence a company's value and competitiveness over the medium and long term, factors which are not always immediately obvious in traditional financial analysis.

Candriam has developed expertise in ESG analysis through its dedicated ESG team, which comprises analysts specializing in specific sectors, sovereign analysis and active engagement activities. The team has developed its own ESG analysis methodology which it applies to governments, corporations and supranational agencies/organizations.

The ESG analysts use internal and external research to feed their models. The team strives to retrieve information from diverse sources, as we consider information from different providers to be complementary. This is necessary because of providers' varying coverage, methodologies and culture, which may ultimately lead to discrepancies in views and final ratings. These different assessments provide our ESG analysts a more holistic view of a company.

This team is tasked with providing Issuers ESG assessment and delivering selection options for fund managers.

Each Issuers analyzed has a ESG Score from 1 to 10. 1 -Excellent ESG profile , 10- Very bad ESG profile

This ESG score give investment's perimeter to the funds managers following the ESG characteristics of the products that they manage.

For additional information on the ESG process, please refer to the Transparency Codes or the Candriam Integration Policy published on our website.

b. Exclusion

This controversial activity policy defines which activities, due to their widely recognised ethical and/or economic unsustainability, are to be excluded from Candriam's investments based on four different levels:

- Level 1 Company-Wide Exclusion Policy: exclusions across all investments of the most controversial and unsustainable activities (controversial weapons, thermal coal and tobacco);

- Level 2A Exclusion Policy: an intermediate level adding exclusions relating to conventional weapons, gambling, oppressive regimes and climate-related risks;

- Level 2B Exclusion Policy: exclusions related to conventional weapons, gambling, oppressive regimes, and other activities that carry risks for responsible investments.

- Level 3 SRI Exclusion Policy: a broad set of exclusions encompassing a wide range of controversial activities from an environmental and social perspective (adult content, alcohol, gambling, etc.).

Each Candriam products has a Level of exclusion assigned following it's ESG profile. For third-party discretionary portfolio mandates, company-wide exclusions are applied if parties so agree.

For additional information, please refer to the company-wide exclusion policy published on our website

c. Engagement & Proxy-Voting

Stewardship is a key part of our long-term investment process, given its potential impact on investor returns. Candriam engages with the management teams of its investment candidates on a range of aspects. Stewardship takes the form of individual and /or collaborative dialogue between ESG analysts and the representatives of the company and other stakeholders.

Our engagement activities have 3 main objectives that are directly linked to our ESG selection:

- encourage improved ESG disclosure;
- support investment decisions;
- influence corporate practices on ESG issue.

In particular, engagement activities related to the investment decision process occur:

- within our ESG analysis framework, when Candriam wants to inform issuers of the final opinion it has opted for, and the main elements underpinning its decision;
- systematically, following the occurrence of an event deemed controversial and/or material (e.g., breach of UN Global Compact principles), leading to the inclusion of the issuer's name on our watch list. In that sense, any company turning non-eligible on normative-analysis grounds is contacted.

Engagement aims at encouraging issuers to adopt/adhere to recognized standards/norms or more common practices, so that they can better anticipate and manage specific ESG risks and opportunities.

Such engagement activities occur when we estimate that the issuers in question may lose their competitive edge and/or jeopardize their mid-/long-term valuation through being unprepared for changing market conditions because they have not properly managed an ESG topic. Such a situation justifies our support of improved preventive or healing measures.

More specifically, engagement activities pre- or post-the Annual General Meetings (AGMs), as well as voting itself, belong to this pillar. When contacting issuers, Candriam presents its voting policy and the rationale behind specific controversial voting recommendations, advocating change in favour of best practices in the field.

Candriam's Proxy Voting policy favours resolutions that support sustainable development principles in accordance with its sustainable and responsible approach.

Proxy voting activities fall under the ultimate responsibility of the Candriam Group Strategic Committee as part of our investment process. The Candriam Proxy Voting Committee is the 'guardian' of our Voting Policy and responsible for its implementation. This Committee, dedicated to the responsible exercise of voting rights by Candriam, has a four-fold mission:

- define the general policy for the exercise of Candriam's voting rights and for the evolution of the policy;
- review voting proposals made by ESG analysts and assess the effectiveness of votes cast at shareholder meetings;
- ensure that the Candriam voting policy is properly implemented into operating procedures;
- reviews and validates the Proxy voting Annual review before its release.

The Committee consists of internal representatives from the Management, Operations, Compliance and ESG Research & Stewardship teams and of an Independent Member. Representatives of the Legal department may attend meetings upon request.

The Committee meets regularly during the AGM season.

d. Other Sustainability Risks

ESG data and ESG models are key elements of adequate Sustainability Risk management.

Candriam has a strong process in place for the selection of ESG data providers. The ESG Investment & Research team performs due diligence on such providers and, once the choice is made, Purchasing takes over the contractual negotiations.

Controls on ESG data integration are implemented to ensure that the ESG data in our information system are consistent. The Candriam data team defines and implements data controls.

Risk Management Modelling validates the different models used in our ESG approach

e. Monitoring of sustainability Risk

The monitoring of sustainability risks takes place in a similar way as other financial risks monitored from the second line of defense, Risk Management.

Candriam has implemented a policy summarize all ESG investment rules that fund managers must comply with: the ESG Investment Policy.

Risk Management use mainly Charles Rivers to control all Sustainability Risk Limits via a pre-trade and post-trade compliance check..

In case of breaches, the reporting and escalation of findings pursuant the same process that others financials risks.

Any breaches are reported to the Sustainability Risk Committee.

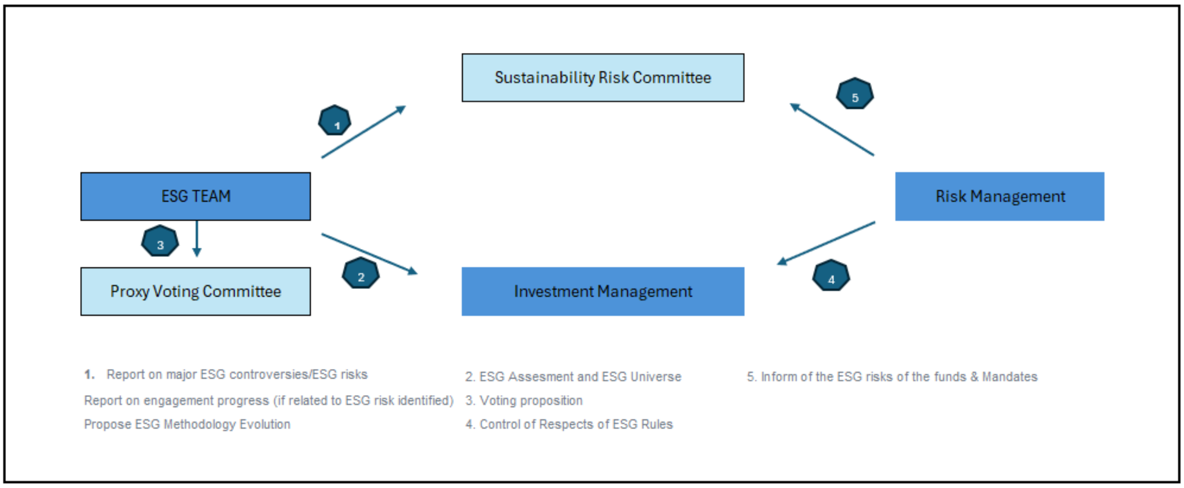
This committee, led by the **Chief Investment Officer & the Chief Risk Officer,** is held every two months. and comprises representatives of different departments: Investment Management, Risk Management, ESG , Product Management.

The additional role of the committee is to review and validate all developments linked to the ESG methodology liked :

- Evolution of ESG models
- Evolution of exclusion Policy
- Validation of new ESG data providers
- Validation of any change to the ESG Investment Policy
- Review of Major ESG Controversy
- Review of ESG funds Risk (ESG indicators, PAI)

1.3 Sustainability Risk Committee & Applicable Policies

Sustainability Risk Committee



Applicable Policies

- ESG investment policy
- Stewardship policy
- Exclusion policy
- ESG integration policy
- Controversail activity policy
- Proxy voting policy
- Climate policy
- Transparency code
- ESG indicators & PAI policy

2. Corporate Sustainability Risk

Candriam integrates the consideration of sustainability risks and opportunities into its strategic roadmap.

Candriam has analyzed the sustainability challenges and opportunities for an asset manager such as Candriam, using public and stakeholder sources and findings from Candriam's CSR and ESG experts. In addition, Candriam is conducting a double materiality assessment in preparation of the upcoming applicability of the CSRD regulation, with a consolidated group report set to be published in 2026, covering the year 2025

The Candriam Group Strategic Committee sets our overall sustainability strategy for sustainable investing, covering investment approach, product and commercial positioning and corporate sustainability.

Business Ethics

A fundamental Candriam commitment to its clients and society is to conduct its business ethically and with integrity. This is enshrined in a series of ethical codes and codes of conduct for staff.

Procedures are in place regarding anti-fraud, anti-money laundering and terrorism financing, the KYC (Know Your Customer) process, whistleblowing, the detection and management of conflicts of interest, prevention of market abuse and the monitoring of personal transactions.

Staff follow regular compliance training.

Staff members' yearly assessment includes the consideration of their compliance with procedures and of sustainable behaviour aligned with Candriam's values.

Candriam's Compliance department is independent and performs second-line controls on these topics.

CSR Commitments

Candriam has a dedicated committee to steer Candriam's CSR roadmap. The CSR committee is composed of Candriam stakeholders from different business units and is chaired by Candriam's Head of Corporate Sustainability. The CSR committee. addresses sustainability matters in 5 domains:

- Staff – objectives and policies are in place regarding diversity & inclusion and staff well-being. Candriam has formal and informal platforms for dialogue with staff.
- Clients – objectives and a Client Charter are in place to ensure sustainable client relations by offering excellent service and sustainable value.
- Operational value chain – objectives and policies are in place to reduce Candriam's environmental footprint (responsible travel policy, car policy, building charter, best practices waste management). Candriam measures and offsets its remaining carbon emissions.
- For suppliers, they are requested to subscribe and adhere to our supplier code of conduct. In addition, an ESG questionnaire is part of the new vendor RFPs managed by the Purchasing department. The questionnaire considers criteria such as:

    - Environmental : GHG (measuring, reducing, offsetting), use of resources, managing & reducing waste;
    - Social: human rights, labour management, diversity & inclusion, health & safety, sustainable supply chain labour standards, product safety, data security;
    - Governance: independent board members, diversity, policies preventing corruption.

- Governance – Candriam is committed to having a well-balanced composition of its decisional bodies and boards and has put in place a responsible remuneration policy.
- Community – Candriam gives back to the community and promotes a sustainable & inclusive society by supporting initiatives in education,research & entrepreneurship and projects with a social or

societal impact. The Candriam Institute for Sustainable Development monitors the donation process, including the validation of supported initiatives.

For more details on these aspects, please consult the Candriam Climate Policy and Human Right Policy on our website.

For additional information on our management of corporate sustainability risks, please consult the Corporate Sustainability Report on our website: https://csr.candriam.com/

3. Governance

Different committees overview sustainability topics, including sustainability risk and sustainability development:

- A Strategic Sustainability Committee meets regularly: the Group Strategic Committee (GSC), supported by Candriam's ESG and CSR experts, sets out the strategic orientations for ESG investing (both from a product and a commercial standpoint),Corporate Sustainability Risk and Corporate Sustainability. The GSC oversees the due diligence approach for Climate and Human Rights risks across the value chain, including the **elaboration and review of appropriate policies**. The **Sustainability Risk Committee** (SRC) oversees and steers the management of extra-financial risks and impacts in the context of Candriam's **investment activities**. The SRC is responsible for approving the **ESG processes** and framework for funds and mandates. It assesses and monitors sustainability risks and negative **sustainability impacts**, including **climate and human rights** risks, and defines company wide **ESG investment-restrictions** for all Candriam investment activities. The SRC oversees **monitoring** of respect and breaches as well as **Engagement** actions plans

- The Proxy Voting Committee provides strategic guidance on proxy voting best practices and monitors Candriam's voting policy.

- The Client Solutions Committee (CSC) and Product Range Committee (PRC) are the main bodies of Candriam's regular product governance. They steer & manage the product approval and review process, including the ESG/Sustainability characteristics of products & services.

- The **Candriam Institute for Sustainable Development** oversees Candriam's **philanthropy** and community impact program, through the support of initiatives in ESG research, education & entrepreneurship, social inclusion & solidarity, environment, and the fight against cancer.

- The **Candriam ExCo (ESG Business Review & Steering session)** follows-up on the **implementation of the strategic ESG roadmap,** reviewing ESG aspects of business development, investments, operations, IT, stewardship & collaborative initiatives, communication and regulatory. It reviews public reporting on ESG process via UN PRI and CSR Report

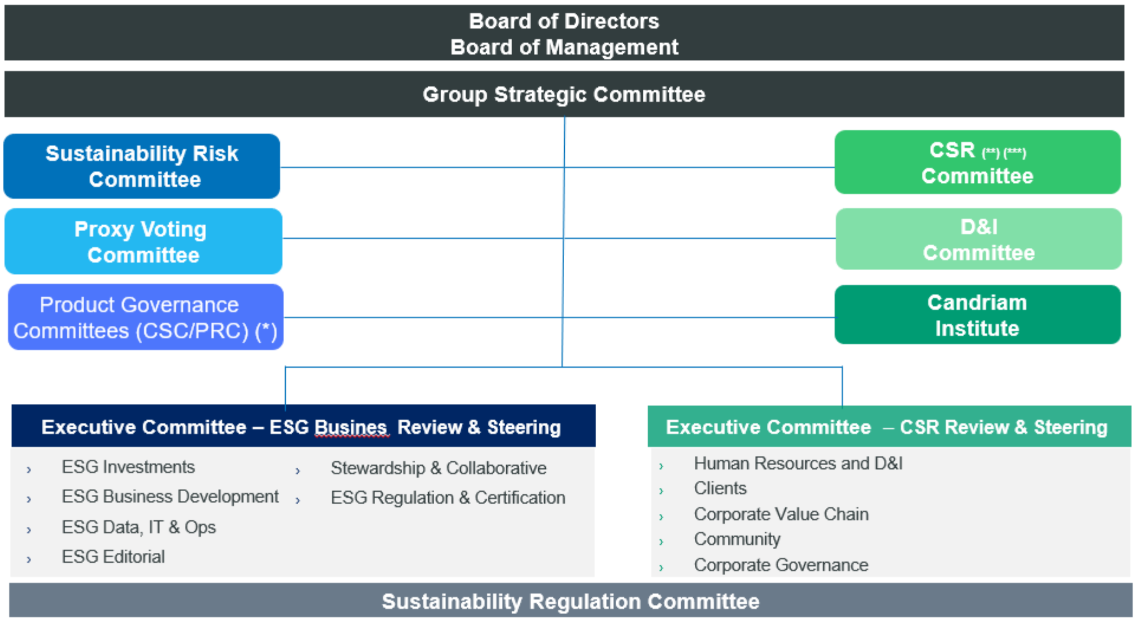
- The **Candriam ExCo (CSR Review & Steering session)** follows-up on the **implementation of the CSR roadmap** (E/S/G aspects) with **Business Units reporting** on their progress, across operations, staff, clients, operational value chain, suppliers, governance and the community.

- The **CSR Committee** assesses E/S/G risks, opportunities & impacts for Candriam's operations. It develops a **CSR roadmap** across stakeholder domains and **coordinates the CSR reporting**. It monitors action plans from Candriam's Business Units. Its Ethics **subcommittee on human & social rights** monitors Candriam's **human rights due diligence** process and follows up on **alerts** by operational, procurement or risk teams or via the Compliance whistleblowing procedure.

- **The Diversity & Inclusion (D&I) committee** oversees D&I topics and works with Human Resources and Candriam's Staff Communities to foster Diversity and Inclusion at Candriam.

- The **Sustainability Regulations Committee** oversees the follow-up of ESG/CSR regulations and coordinates the implementation of the Sustainability regulatory roadmap.

- Overview (from January 2024 onwards)



(*) ESG characteristics of products/services (incl. label-decisions) are considered via Candriam's regular **Product Governance process** in the Client Solutions and Product Range committees
(**) Monitoring CSR Roadmap across stakeholder-domains with D&I delegated to **D&I Committee** + Staff communities (TogetHER, Well-being, NextGen) , CSRD SteerCo from 2025
(***) Including **CSR Ethics-sub-committee on Human Rights DD** with invited experts on social and human rights, this sub-committee reports into the CSR committee

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The present document does not constitute investment research as defined by Article 36, paragraph 1 of the Commission delegated regulation (EU) 2017/565. Candriam stresses that this information has not been prepared in compliance with the legal provisions promoting independent investment research, and that it is not subject to any restriction prohibiting the execution of transactions prior to the dissemination of investment research.

Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value (“NAV) of the funds. This information is available either in English or in local languages for each country where the fund’s marketing is approved.

Specific information for Swiss investors: The appointed representative and paying agent in Switzerland is RBC Investors Services Bank S.A., Esch-sur-Alzette, Zürich branch, Bleicherweg 7, CH-8027 Zurich. The prospectus, the key investor information, the articles of association or as applicable the management rules as well as the annual and semi-annual reports, each in paper form, are made available free of charge at the representative and paying agent in Switzerland.

Janus Henderson INVESTORS

JUNE 2025

SUSTAINABILITY RISK POLICY

Our active approach to considering sustainability risks in investment decisions

CONTENTS

1 Introduction

1.1 Purpose

This policy aligns to requirements outlined in EU 2019/2088 Sustainable Finance Disclosure Regulation ('SFDR') and describes how sustainability risks are integrated into the investment decision-making process at Janus Henderson Investors (herein referred to throughout as 'Janus Henderson', 'we', or 'our'). It outlines how our investment teams assess, integrate, and manage these risks to seek the best risk adjusted returns for our clients. This includes our approach to assessing good governance practices of investee companies. Furthermore, it articulates the governance and oversight mechanisms used to monitor the approach. The objective of this policy is to provide transparency to our investors about the guidelines and principles that support the management of sustainability risks

1.2 Scope

This Policy applies to the Janus Henderson funds domiciled in the European Union, and segregated mandates contracted with Janus Henderson Investors Europe S.A. 'JHIESA'.

1.3 Definitions

"Sustainability Factors" is defined in SFDR 2 (24) as environmental, social and employee matters, respect for human rights, anti-corruptions, and anti-bribery matters.

"Sustainability Risk" is defined in SFDR 2 (22) as an environmental, social or governance ('ESG') event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

"Sustainability Risk Integration" is defined at Janus Henderson as the process of identifying, analysing, and incorporating relevant and financially material sustainability risk factors into investment decisions as well as the ongoing monitoring of portfolios and engagement with investee companies.

2 Integration of Sustainability Risk Considerations in Investment Decisions

2.1 Description of Sustainability Risks

At Janus Henderson, we believe that robustly integrating financially material sustainability risk considerations may support our aim of seeking to maximise risk-adjusted returns for clients. It therefore forms an integral part of most investment processes, where sustainability risks are considered alongside traditional risks.

The three broad categories of sustainability risks (environment, social, governance), cover a wide range of specific risks and associated indicators. Examples of these risks may include but are not limited to:

1. **Environmental Risk:** Risks associated with environmental issues such as climate change, waste management, land and water use, pollution, and loss of biodiversity. Climate-related risks include:

    - **Climate transition risk:** Risks that arise from the global transition to a lower carbon economy. They include risks related to regulatory and legal developments, technological changes, market dynamics, and reputational considerations. Some examples of risks that fall within the respective categories include the failure to meet regulatory or legal requirements, lack of investment in technology to reduce emissions, lack of innovation to meet changing client demands, and an increased scrutiny from a variety of stakeholders, including governments and regulators.

    - **Climate physical risk**: Risks associated with the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (eg, cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (eg, sea level rise).

2. **Social Risk:** Risks associated with issuers' relationships with employees, suppliers, customers, and other stakeholders. This includes risks related to labour practices and human rights. Some examples of risks that fall within the respective categories include inadequate employee health and safety and the lack of a policy for the protection of human rights such as forced labour or human trafficking.

3. **Governance Risk:** Risks associated with the internal practices and policies that guide an issuer's management and oversight. Governance-related risks may include risks around Board independence, corruption and bribery, and transparency.

2.2 Process of Risk Integration

Our approach to the integration of sustainability risks is thoughtful, practical, research-driven, and forward-looking. We are committed to integrating sustainability considerations into our analytical and decision-making processes across most investment teams and asset classes. This approach is dynamic, ensuring we remain responsive to evolving landscapes and the diverse objectives of our clients.

Janus Henderson directly assesses the performance and risk exposure at the individual investment level. This process is a combination of bottom-up analysis, starting at the issuer level, and leverages portfolio-level data for an incremental lens and layer of oversight.

Risk Integration Framework

The sustainability risk integration framework consists of three key principles:

- **Risk Identification-** identifying financially material sustainability risks for each investment
- **Risk Assessment-** assessing the financial materiality of a risk to the value of an investment
- **Risk Management-** the avoidance, mitigation, and monitoring and oversight of sustainability risks

Risk Identification

At Janus Henderson, we have identified indicators that can be used to measure and monitor exposure to each category of sustainability risks. Investment teams have access to a range of third-party and proprietary data which includes ESG ratings, risks and controversies, business-involvement, UN Sustainable Development Goal-alignment, and other climate and ESG related data sets that can be used at indicators. This data can be leveraged to identify potential financially material sustainability risks and opportunities. They may consider and utilise third-party financial materiality frameworks in conjunction with their own knowledge, to focus on the issues likely to be most material. In addition to this, Janus Henderson's firmwide proprietary ESG data and analysis tool, ESG Explore ('ESGX') includes portfolio and issuer-level data, with modules on ESG ratings, climate metrics, business involvement, regulatory datapoints, and engagement. This tool enables investment teams to quickly identify any material climate or ESG risks at the portfolio level, then drill down to issuer to better understand the source of those risks. It also helps in uncovering underappreciated risks and opportunities for the companies in which we invest, including by alerting us to changes and drawing attention to leaders and laggards across regions, sectors, and issuers.

Risk Assessment

Sustainability risk assessments consider the financial materiality of the risk, the clients' interests, and the alignment with the relevant investment strategy. As part of the research process, investment teams consider risks at both issuer and portfolio level; they assess the impact on relevant financial metrics at the issuer level, which could include cash flows, valuation, cost of capital, or credit ratings. They then analyse how particular issuers or sector exposures contribute to aggregated risks and opportunities at the portfolio level. Should a material unmanaged risk be identified and quantified, our investment teams evaluate the impact of that risk on a security's price and risk-adjusted return. Should our investment teams believe the risk is not fully priced in, the portfolio impact could include escalation through different means.

This is also applicable to our assessment of good governance practices of investee companies associated with Article 8 and 9 products. At Janus Henderson we have developed a proprietary framework that assesses all four key aspects of good governance as outlined in the EU SFDR: 'sound management structures, employee relations, remuneration of staff, and tax compliance'.

This framework evidences our consideration of governance-related risks and allows us to assess issuers governance practices and identify areas where issuers may fall short of governance standards.

Scores above the good governance threshold will be referred for further review by the ESG Oversight Committee (‘ESGOC’), with 3 potential outcomes:

1) Score is incorrect or backward looking; our research demonstrates better governance practices: Investible and given an override; or
2) Company is engageable and improvement is possible; investible with an outcome-oriented two-year engagement overseen by the ESGOC; or
3) Governance practices are poor and there is no potential for engagement or improvement: Exclusion / divest.

Increasingly, we are marrying portfolio-level analysis with the bottom-up process to identify, analyse, and manage financially material climate and ESG risks through our internal proprietary data analysis tool ESGX. This tool enables our investment teams to conduct thorough analysis to assess the financial materiality of sustainability risks in a way that aligns with their current research process and in a similar way to how they access non-ESG issuer and portfolio data.

Risk Management

Sustainability risks are managed through our exclusion and engagement policies, as well as through regular monitoring and oversight by relevant risk management teams.

Our approach to risk management is outlined by three key pillars:

- **Avoidance:** Excluding certain investments based on sustainability risk assessments. For certain products that promote environmental/social characteristics or have sustainable investments as their objective, Janus Henderson may consider implementing an exclusion framework which varies by product. Exclusions may be based on business involvement activities, international norms and standards, or performance on ESG metrics (ie, emissions intensity within the investible universe). These exclusions are typically applied to manage exposure to areas of high ESG risk. In addition, Janus Henderson also implements some firmwide exclusions. (For further details on our Firmwide exclusions, see our Responsible Investment Policy).
- **Mitigation:** Engaging with investees to improve their management of ESG risks and opportunities. In general, Janus Henderson prefers an engagement-focused approach to a firm-level exclusion or divestment policy, in sectors where we have identified financially material sustainability risks. We believe this approach is best to seek to maximise risk-adjusted returns for our clients and for driving positive change at our portfolio companies. (For further details on our Engagement Policy, see Responsible Investment Policy).

- **Monitoring and oversight:** Regular monitoring of sustainability risks is carried out to ensure we seek the best risk-adjusted returns for our clients. ESG data is incorporated into our risk reporting tools, covering issues such as exposure to companies with low ESG ratings, controversies, weak corporate governance, and climate risk. In addition, we have established independent oversight mechanisms from relevant committees, Compliance, Front Office Controls, and Financial Risk to ensure we are adequately and appropriately researching and incorporating material sustainability risk considerations. Further details can be found under *Section 4: Internal Sustainability Risk Governance and Oversight.*

The integration of sustainability risks is at the discretion and judgement of our investment teams, who apply their differentiated perspectives, insight, and experience to identify business practices that can generate long-term value for investors. Commitments and accountability for the execution of the integration of sustainability risk factors therefore rests with the relevant investment teams. Each team is responsible for articulating their specific objectives, which means that the implementation of sustainability risks is usually carried out at the strategy level. The investment teams are supported by subject-matter experts within our centralised Responsibility Team. This partnership leads to enhanced research and decision-making—marrying the sector and industry expertise of the investment teams with the skills and experience of the Responsibility Team.

For funds with sustainable investments (as referred to in article 2 (17) SFDR), indicators for adverse impact will be used for the purpose that the investments 'do not significantly harm' any environmental or social objective. For further details on Principle Adverse Impacts ('PAI'), please refer to the Janus Henderson Investors Europe S.A. PAI Statement

3 Sustainable Risk Integration Strategies Across Different Asset Classes

At Janus Henderson, we recognise that different asset classes and investment strategies may require different approaches to the integration of sustainability risks in investment decision-making. The precise approach to ESG integration is at the discretion and judgement of our investment teams, who apply their differentiated perspectives, insight, and experience to identify business practices that can generate long-term value for investors. Below, we have set out some specificities to particular asset classes.

Equity

As an active manager of public companies, we believe that the integration of sustainability risks enhances fundamental analysis, and we aim to consider financially material ESG issues at each appropriate stage of the investment management process. Sustainability risk considerations form part of our ability to assess the long-term value proposition of equity issuers and contributes to our ultimate objective of delivering positive financial returns for our clients.

In our actively managed equity strategies, our bottom-up approach allows investment desks to consider the financially material ESG issues as they relate to specific sectors and asset classes. Sustainability analysis can contribute at all stages of the investment process including pre-trade research, asset allocation and engagement.

As investment desks apply integration according to their specific strategy, some teams may leverage ESG scoring or set thresholds based on proprietary research or third-party data. The impact of sustainability risks will vary by strategy and may not be the sole determinant in investment decisions. However, the integration of sustainability risk in the investment process will contribute an essential component in understanding the full risk profile of issuers for the purposes of portfolio construction and security selection.

Fixed Income

I. Corporate Credit

We believe that the integration of sustainability risk enhances fundamental analysis within our corporate credit strategies. To support our assessment of credit worthiness we apply a sequential top-down approach to evaluate sector-level ESG risk. Followed by a bottom-up assessment of company-specific risk factors which leverages both third-party data and proprietary insights to assign issuers a proprietary rating that feeds into our portfolio construction process. This proprietary methodology is designed to minimise the impact of third-party data coverage gaps in our fixed income investible universe while leveraging our credit analysts' expertise for a robust assessment of forward-looking ESG risk management.

II. Sovereign

Following a similar scoring structure as corporate credit, Janus Henderson assesses sovereign sustainability risks via our proprietary model which draws on data from publicly available indices. Our Sovereign ESG Working Group oversees the model output and applies a qualitative overlay to company scores and trends based on deep country expertise. This systematic review of sustainability risks enhances government bond analysis as environmental and social factors are increasingly tied to economic factors.

III. Securitised Credit

Janus Henderson's fixed income capabilities extend to securitised credit including collateralised loan obligations ('CLO'), asset-backed securities ('ABS'), mortgage-backed securities ('MBS'), and commercial mortgage-backed securities ('CMBS'). We believe that the integration of sustainability risks enhances fundamental analysis within our securitised credit strategies. We apply a sequential top-down approach to evaluate sector-level ESG risk, followed by a bottom-up assessment of issuer-specific risk factors which leverages both third-party data and proprietary insights. This proprietary methodology is designed to minimise the impact of third-party data coverage gaps in our fixed income investible universe while leveraging our credit analysts' expertise for a robust assessment of forward-looking ESG risk management.

Multi-asset

Sustainability risk factors can be integrated across all stages of the investment process for multi-asset strategies, including capital market assumptions and strategic asset allocation. Sustainability risks contribute to our understanding of broad market factors as well as security-level changes; however, sustainability risks may not be the sole determinant in investment decisions.

Diversified Alternatives

ESG factors are important drivers of both a company's potential performance and the associated risk, and the investment team expects this analysis to be reflected in the valuation of a company's securities or their component within a derivative structure. For any enhanced ESG research and engagement the investment team work closely with the Responsible Investment and Governance team with their program of engagements and voting (where appropriate).

4 Internal Sustainability Risk Governance and Oversight

The Investment teams are at the core of our governance process and bear the primary responsibility for identifying, analysing, and integrating financially material sustainability risks in the way best suited to their asset class and investment objective. In addition, we have established independent oversight mechanisms to ensure we are adequately and appropriately researching and incorporating material sustainability risk considerations.

Governance

- **ESGOC:** Our ESGOC reports to Janus Henderson's Executive Committee and provides direct oversight of ESG investment matters. This committee, chaired by the Chief Responsibility Officer, provides oversight over ESG investment processes including ESG credibility and feasibility in portfolio design, portfolio management, various ESG data & toolsets, as well as non-investments oversight over ESG processes including regulatory and client reporting standards, and ESG disclosure. The committee is responsible for ensuring our framework to manage ESG-related risks is adequate and effective. The ESGOC includes representation from teams such as Financial Risk, Front Office Controls, Responsibility, Product, Legal and Compliance.

Oversight

Janus Henderson's organisational structures support and promote effective decision making around the integration of sustainability risks. Each respective team described below provides committee reporting on ESG related matters and are members of the ESGOC:

- **Front Office Controls:** The Front Office Controls & Governance ('FOCG') provide ongoing assurance that investment products are managed in line with documented sustainability commitments, where automated controls and/or third-party data are not available.
- **Financial Risk:** Sustainability risk monitoring forms part of the ongoing risk monitoring carried out by the Financial Risk team. The Financial Risk team reviews and challenges sustainability risk —alongside traditional market risk metrics and embeds sustainability risk into the risk profiles of our funds, as appropriate.
- **Compliance:** Provides a second line of defence on ESG Investment matters. The compliance team implements automated investment restriction controls within Janus Henderson's order management system for ESG-related screening and supplements this approach with further controls for qualitative commitments. Additionally, the Compliance Monitoring team reviews regulatory adherence via the execution of a risk-based monitoring plan.

Further Information

For more details / examples on how Sustainability Risks are managed, please refer to Janus Henderson's Responsible Investing Policy and other Janus Henderson reports such as the Responsibility Report, UK Stewardship Code Report and Task Force on Climate–related Financial Disclosures ('TCFD') Report. These can be found in the 'ESG Resource Library' published on the Janus Henderson website.

FOR MORE INFORMATION, PLEASE VISIT JANUSHENDERSON.COM

Janus Henderson INVESTORS

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Introduction to HSBC's Sustainability Risk Policies

February 2025

HSBC

Introduction to HSBC’s Sustainability Risk Policies

Purpose

This Introduction explains the rationale, objectives and processes that inform HSBC’s sustainability risk policies and is intended to help external stakeholders to understand our broader risk management framework, our policies and how we seek to implement them.

The primary role of risk management is to protect our customers, business, colleagues, shareholders, and the communities we serve, while executing our business strategy and delivering sustainable growth. Our appetite to do business in some sectors and jurisdictions will vary based on business strategy, credit risk and other risk-based considerations.

Our Policies

Our sustainability risk policies form part of our broader risk management framework and are important mechanisms for managing risks, including delivering our net zero ambition. Our sustainability risk policies focus on mitigating reputational, credit, legal and other risks related to our customers’ environmental and social impacts.

The sustainability risk policies that form part of our broader risk management framework are comprised of our core net zero-aligned policies:

- Energy Policy
- Thermal Coal Phase-Out Policy

as well as our broader sustainability risk policies:

- Agricultural Commodities Policy
- Forestry Policy
- Mining and Metals Policy
- World Heritage Sites and Ramsar Wetlands Policy

Our net zero-aligned policies aim to identify the major sectoral shifts that are required to achieve net zero, align with a risk-driven and science-based approach, and focus on client engagement in support of this transition. Our other sustainability risk policies focus, consistent with our risk-based approach, more broadly on mitigating the risks inherent in specific sectors, targeting geographies where we have a high concentration of clients in these sectors facing credit and reputational risk and applying materiality considerations as appropriate.

In developing our policies, we consult with a number of our clients, investors, wider industry bodies, shareholders, non-government organisations (NGOs), as well as certain governments, to both inform our approach and better understand potential impacts.

HSBC takes a risk-based approach when identifying transactions and clients to which our sustainability risk policies apply, and, where relevant, when reporting on relevant exposures, adopting approaches proportionate to risk and materiality. This helps us to focus our efforts on areas which we consider are most critical to focus on, whilst taking into account experience from policy implementation over time.

HSBC’s policies apply to corporate clients, the majority of which are managed in Corporate and Institutional Banking. They apply to the main financing products we provide, such as loans, trade finance and debt and equity capital market services. They do not apply directly to our asset management business (see Transparency section for further details).

In 2003, HSBC adopted the Equator Principles, which provide a framework to assess and manage environmental and social risks when financing large projects. We apply the Equator Principles when financing applicable projects. The Principles apply to project finance transactions over a certain threshold, as well as project-related corporate loans, advisory work on projects, refinancing and bridge loans. As an Equator Principles financial institution, HSBC reports annually on our implementation of - and the financing completed under - the Principles.

Implementation

Our relationship managers are primarily responsible for assessing relevant considerations under our risk management framework, including whether our clients may be in scope of applicable sustainability risk policies, with input from technical experts in our Sustainability Centre of Excellence and second line review and challenge from Risk colleagues. We use and support credible independent certification schemes where available in our policy approach. We also commission independent consultants, as appropriate, including where required under the Equator Principles.

For net zero-aligned policies, engagement on client transition plans is key to our approach. These aim to help us to identify opportunities, manage climate risks and define areas to drive strategic engagement with each client.

Where, for clients in scope of our sustainability risk policies, we identify activities that could cause material negative impacts we expect clients to demonstrate that they are identifying and mitigating risks responsibly and will look to take actions as outlined in our policies, which, as appropriate, may include conducting enhanced due diligence or applying financing restrictions. Such instances may require additional review and approval by our sustainability risk specialists and risk committees.

Oversight of the development and implementation of policies is the responsibility of relevant governance committees comprised of senior members of the Group Risk and Compliance function and global businesses.

Transparency

Relevant information is published on the Sustainability Risk page and the ESG Reporting Centre on HSBC.com.

In addition, we disclose additional relevant information about our sustainability risk policies in our Task Force on Climate-related Financial Disclosures (TCFD). Further details are provided in the Environmental, Social and Governance section of our Annual Report and Accounts and in our Net Zero Transition Plan.

The policies do not apply to investments where HSBC acts on behalf of customers and where, consequently, the underlying investment decision is not made by us. For example, personal customers who buy shares via our electronic dealing account may have their shares registered in HSBC's name to minimise administration, while some corporate clients request that we hold shares on their behalf in nominee accounts. We do not believe that our customers want us to restrict their choice of investments other than where we offer an investment product which excludes certain sectors or activities. Our asset management business has separate policies covering sustainability issues. These policies are published in the Responsible Investing section of the HSBC Asset Management website, on a market-by-market basis.

Our duty of confidentiality prevents us from commenting on specific customers or transactions.

Additional Notes

This Introduction explains how HSBC approaches sustainability risk management. It is intended to help our external stakeholders understand HSBC's broader risk management framework.

This Introduction should not form the basis of any third party's decision to undertake, or otherwise engage in, any activity and third parties do not have any right to rely on it. The Introduction, by its nature, is not comprehensive and has not been independently verified. It contains various statements that are or could be "forward-looking" statements including as to HSBC's intentions and objectives. However, a number of risks, uncertainties and other important factors could cause actual developments and / or results to differ materially from HSBC's expectations. These include, among others, the risks and uncertainties we identify in our Annual Report and Accounts filed with the Securities and Exchange

Commission (“SEC”) on Form 20-F and interim reports and earnings releases furnished to the SEC on Form 6-K from time to time.

In making the assessments and determinations further described in the Introduction, HSBC will use such information as it determines necessary and relevant in its sole discretion. However, there can be no guarantee of the accuracy, currency or completeness of such information, which may not have been independently verified.

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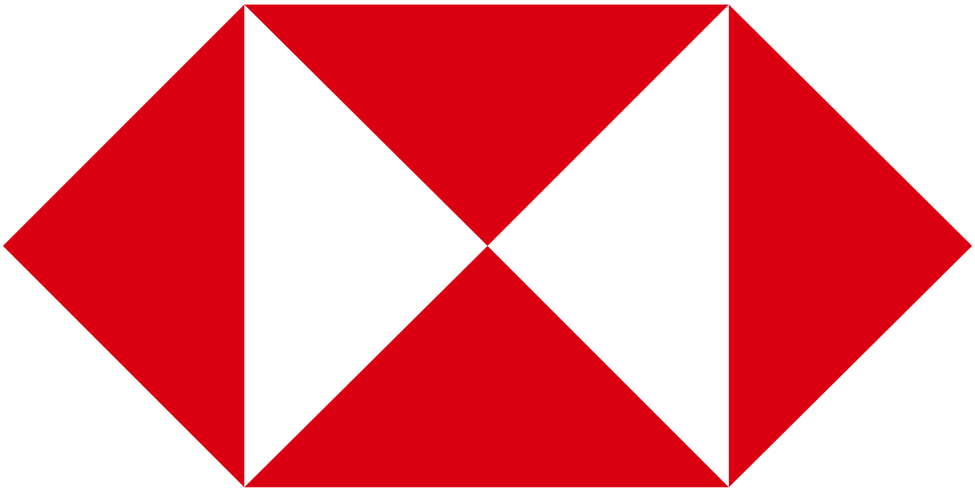

SUCCESS BEYOND NUMBERS

Environmental and Social Risk Policy

Date: 7th May 2025

1	SUMMARY	Elaborates the criteria and objectives of Environmental and Social Risk Management Process			
2	OWNER	Risk SBU			
3	ALTERNATE OWNER	Not Applicable			
4	AVAILABLE ON	iZone	✓	Website	✓
5	DISSEMINATED TO	All business lines and publicly available on MCB Ltd website			
6	DATE OF VALIDATION	7th May 2025			
7	REVIEWED BY	Chief Risk Officer			
8	VALIDATED BY	Risk Monitoring Committee			
9	DATE OF NEXT FORMAL REVIEW	May 2026			

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Definitions

The terms used in this policy are defined as follows:

Acquisition Finance	Provision of financing used for acquiring a Project or a Project company which exclusively owns, or has a majority shareholding in a Project, and over which the client has Effective Operational Control
Bridge Loan	Short-term loan provided to a business until the longer-term stage of financing can be secured
Climate Risks	Risks associated with the potential impacts of climate change, which can be physical and/or transition risks such as extreme weather conditions or changes in legislations
Credit Committee (CC)	MCB Ltd's Credit Committees with principal responsibility for the management of credit risk portfolios and to sanction/decline credit applications
Credit Cycle	Process within which MCB takes on and manages credit risk in its business to facilitate the identification of material policy issues within the context of the life cycle of a credit facility
Corporate Loan	Loan provided to corporate businesses and holding companies on the strength of their balance sheet and recurrent cash flow
Designated Countries	Those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. As a proxy for such an assessment, the Equator Principles Ltd requires that a country must be both a member of the OECD and appear on the World Bank High Income Country list to qualify as a Designated Country. The list of Designated Countries can be found on the Equator Principles Ltd website
Environmental	Aspects related to Climate Change, Water, Air, Land and Water Contamination, Biodiversity Conservation and Natural Resources
Environmental and Social Impact Areas	Areas likely to impact environmental and social aspects
Environmental and Social Risk Management (ESRM)	Overall management system, including relevant policy, procedures and organisational structure, to identify and manage environmental and social risks and opportunities in MCB's financing activities

Environmentally Sensitive Areas (ESAs)	Any area in which plant or animal life or their habitats are either rare or especially valuable because of their special nature or role in an ecosystem and which could be easily disturbed or degraded by human activities and developments
Equator Principles (EP)	Short-term loan provided to a business until the longer-term stage of financing can be secured
IFC Performance Standards (IFC PS)	Set of Environmental and Social standards, developed by International Finance Corporation (IFC), to manage Environmental and Social risks
MCB Sustainable Loan	MCB credit line dedicated to finance eligible projects as per the MCB Sustainable Finance Framework 2024
MCB Sustainable Finance Framework	The framework detailing criteria under which eligible sustainable projects can benefit from MCB Sustainable Finance products
Non-designated countries	Those countries not found on the list of Designated Countries on the Equator Principles Ltd website
Portfolio Review Committee (PRC)	MCB platform, also known as Early Bird Committee, for proactive exchanges, sharing and discussion on Bank's portfolio with regards to profitability, business strategy, risk appetite, operational issues and risk metrics/profile
Project Finance	Financing of economically viable capital investments on a non-recourse or limited recourse structure where the debt and equity providers are paid back from the cash flows generated by the project (i.e. financed on its own merits) Also include Property finance done through 'Garantie Financiere D'Achevement' (GFA) or 'Vente en Etat Futur D'Achevement' (VEFA)
Project-related Corporate Loan	Corporate loans, made to business entities related to a Project, either a new development or expansion, where the Known Use of Proceeds is related to a Project in one of the following ways: • The lender looks primarily to the revenues generated by the Project as the source of repayment (as in Project Finance) and where security exists in the form of a corporate or parent company guarantee • Documentation for the loan indicates that the majority of the proceeds of the total loan are directed to the Project
RAMSAR Convention	An international treaty for the conservation and sustainable use of wetlands also known as the Convention on Wetlands

Refinancing	Process of revising and replacing the terms and conditions of an existing facility agreement
Social	Aspects related to Human Rights, Labour Conditions, Gender, Health and Safety, Vulnerable Groups, Affected Communities and Cultural Heritage
Supply Chain Finance	Financing and risk mitigation practices and techniques to optimise the management of the working capital and liquidity invested in supply chain processes and transactions
Sustainable Development	Development that meets the needs of the present without compromising the ability for future generations to meet their own needs
Sustainable Development Goals (SDGs)	Universal goals set by the United Nations to end poverty, protect the planet, promote peace and prosperity by 2030
Sustainable Finance	Sustainable finance refers to the considerations of Environmental, Social and Governance aspects by financial institutions into their investment/financing decision-making of a project or an activity
Trade Finance/Working Capital	Short-term financing (3-12 months) for the trading operations of businesses
United Nations Environmental Programme FI Principles of Responsible Banking	Framework which allows banks to align their strategy and adopt business practices which aligns with the Sustainable Development Goals and the Paris Climate Agreement

1. Introduction

In November 2018, The Mauritius Commercial Bank ('MCB Ltd' or the 'Bank') Limited has launched its **Success Beyond Numbers** vision to bring value to the country, to its inhabitants, to rethink the notion of success beyond a quantified assessment, and to be a legacy to future generations.

The **Vision** is extended across 3 pillars:

1. A Vibrant and Sustainable Local Economy
2. Preservation of Cultural and Environmental Heritage
3. Individual & Collective Well-Being

In 2012, MCB Ltd became a voluntary **signatory of the Equator Principles** to manage and continuously monitor the Environmental and Social (E&S) Risks associated with its financing.

In September 2019, MCB Ltd became a **founding signatory of the UNEP FI Principles of Responsible Banking** to align its banking activities with the Sustainable Development Goals and Paris Agreement on Climate Change.

In **April 2022**, the Bank of Mauritius issued its Guidelines on Climate-related and Environmental Financial Risk Management for financial institutions to embed sound governance and enhance risk management frameworks to embed climate-related and environmental financial risks and further improve our resilience against those risks.

In **February 2023**, MCB Ltd launched its MCB Sustainable Loan as part of its Sustainable Finance Strategy to incentivize as well as accompany our stakeholders in their Sustainability journey.

In October 2024, MCB Group published its Sustainable Finance Framework, aligned with market principles and practices, including an Environmental (or Green) and Social Taxonomy.

2. Policy Statement

As the leading bank in Mauritius, MCB Ltd recognizes its potential to set the best environmental and social standards and bring a positive impact on the sustainable development of Mauritius and our core markets in the African region.

MCB Ltd is committed to comply with regulatory requirements and contribute responsibly to long-term economic prosperity and value creation by acting as the strategic partner for sustainable financing (among its financing institutions/stakeholders).

MCB Ltd's credit portfolio is indirectly exposed to Environmental and Social risks through its financing activities in various countries. Through adequate risk management framework, the Bank acknowledges its ability to contribute to the sustainable development of these countries by allocating capital to more sustainable sectors and encouraging responsible business practices, which will be in the clients' interest and that of broader societal goals.

3. MCB Exclusion List

The Mauritius Commercial Bank Ltd undertakes that it neither finances, nor arranges financing, for the activities listed below. Assessment of compliance with MCB Exclusion List of new projects or clients is elaborated in the Guidelines for application of this policy for Early-Bird memos (**see Annex 1** for the summary).

1. Production or activities involving forced labour[1] or child labour[2]
2. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements
3. Any business relating to pornography or prostitution
4. Trade in wildlife or wildlife products regulated under CITES[3]
5. Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing PCBs[4]
6. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations
7. Drift net fishing in the marine environment using nets in excess of 2.5 km in length
8. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances[5] and other hazardous substances subject to international phase-out or bans
9. Destruction of Critical Habitat[6], including habitats and species protected by The Forestry Service and National Parks and Conservation Service of the Republic of Mauritius
10. Production and distribution of racist, anti-democratic and/or neo-Nazi media
11. Production or trade in[7]:
    a. Tobacco
    b. Weapons
    c. Hard liquor for human consumption
12. In line with MCB Klima engagements, activities involving the destruction of mangroves or marine algae
13. Infrastructure and trade in coal (thermal and metallurgical) and any new coal-fueled power plant
14. Restrictions and prohibitions listed in the Bank's Customer Acceptance Policy

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[1] Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions

[2] Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

[3] CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. (Washington, 1993).

[4] PCBs: Polychlorinated biphenyls - a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

[5] Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol lists ODSs and their target reduction and phase out dates.

[6] Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

[7] Activities excluded when representing more than 10% of the balance sheet or the financed volume and for Financial Institutions (including the Borrower) more than 10% of the portfolio volume financing

4. Scope of Application

The main sectors financed by MCB Ltd are listed as per below. (More details can be found in the Bank's Annual Report)

- Agriculture and fishing
- Manufacturing
- Tourism
- Transport
- Construction
- Property Development
- Financial and business services
- Traders (of which Petroleum and Energy products)
- Personal and Professional
- Global Business Licence holders
- Others (of which Energy and Commodities Asset Backed financing)

The activities linked to those sectors may be subject to various financing instruments/types offered by the Mauritius Commercial Bank Ltd. The scope of application of this policy statement, for financing across all business lines and industry sectors within the bank's Risk Appetite, is described in Table 1.

Financing types	Financial threshold	Tenor
Project Finance	Minimum total project capital costs: USD 5 million or more	Minimum of 2 years
Property finance (including bank guarantees, overdrafts, GFA or VEFA)	Minimum total project costs: USD 2 million or more	Minimum of 2 years
EP Project-Related Corporate Loans (Including EP Bridge loans)	Minimum total aggregate loan amount: USD 10 million Majority of the loan is related to a Project where the Client has effective operational control	Minimum of 2 years
EP Bridge Loans (including Letters of credit and bank guarantees)	Minimum total project capital costs for project finance: USD 10 million Total loan amount for project-related corporate loans: USD 10 million	Maximum of 2 years
Project-related Refinancing and Acquisition Finance	Minimum total project capital costs: USD 10 million	Minimum of 2 years
Corporate Loans and Government Loans	Minimum total capital costs: USD 10 million	Minimum of 2 years
Sustainable Finance (Loans, Bonds, etc)	Any amount	Any

Table 1: Financial threshold for financing activities and projects

- Environmental and Social Risk Management (ESRM) process is applicable on all extraction and processing/transformation of **metals and minerals** transactions, irrespective of the financing type, amount and tenor.
- Borrowers or projects involved in the following sectors and activities (corporate, project or trade) necessitate a formal Environmental and Social Due Diligence on both the Borrower and the product's compliance to this policy
  - Chemicals, pesticides and fertilisers
  - Palm oil
  - Solar Photovoltaic cells
- All Working Capital and Trade Finance financing for all other sectors and activities require compliance with MCB Exclusion List and applicable environmental and social laws and regulations in the country of operations. This requires the inclusion of standard E&S clauses in the facility agreement and no formal ESRM assessment is required.
- All financing under the MCB Sustainable Finance Framework and any other sustainable financing offerings (incl. Sustainable Supply Chain Finance and Sustainable Trade Finance) are eligible to go through the ESRM process, **irrespective of the amount and tenor**, to confirm alignment with MCB Exclusion List and assess the Environmental and Social Risks as per this policy.
- If deemed necessary, any financing activity, not falling within the established scope of application, will follow a simplified ESRM methodology.
- The Bank reserves the right to apply the ESRM process for any project or undertaking deemed eligible to undergo an environmental and social risk assessment.
- Any ESRM eligible transactions or facility will have to be assessed as per established ESRM procedures prior to the Bank's final disbursement of the facility.

This policy is applicable to and should be complied with by all personnel involved in the initiation, assessment, sanction, control and monitoring of any credit risk.

Syndicated Facilities

In the event of MCB participation in a syndicated facility, the mandated Equator Principles Financial Institution (EPFI) will take the lead for the Environmental and Social Risk Management Process on behalf of the syndicate. The steps outlined in the Equator Principles will apply and the process will comply with this policy.

5. Objectives

a. Compliance with Environmental and Social laws

The Bank complies with all applicable Environmental, Labour, Health and Safety and relevant laws and regulatory frameworks of the Republic of Mauritius and its country of operations.

In addition, the Bank complies to all requirements of the General Data Protection Regulations (GDPR) and Data Protection Act (DPA) in the application of the Environmental and Social Policy.

b. Governing Principles

The Bank commits to:

- Implement the best standards to encourage sustainable business growth in all markets by protecting the rights and welfare of its employees, preserving natural resources through responsible procurement and consumption and contributing to the needs of local communities.
- Apply the best international environmental and social risk management practices developed by the Equator Principles, the International Finance Corporation (IFC), including IFC Performance Standards, and industry-specific Labour Conditions, Human Rights, Environmental and Anti-corruption guidelines as issued by the World Bank Group and UNEP FI Principles of Responsible Banking.
    - For any divergence among the standards and practices, the requirements under Equator Principles will take precedence.
- Avoid any risk of being associated with any form of forced labour, including modern slavery and human trafficking, through its business activities. Through its risk management framework, the Bank will identify and adopt preventive measures for any practice associated with forced labour, human trafficking, illegal recruitment fees, unfair or delayed/withheld wages, forced or excessive overtime and retention of identity documents.
- Avoid any threat to critical habitats and biodiversity conservation which may arise from its financing. The Bank's Environmental and Social Risk Management process will require its clients to adopt mitigation measures to protect and preserve natural resources, critical habitats and biodiversity.
- Appoint the necessary resources and expertise to ensure the implementation of the appropriate risk management practices.
- Appoint the ESRM team to conduct site visits as part of its Environmental and Social due diligence and monitoring processes.
- Provide sustainable financing products and solutions in addition to its Environmental and Social analysis of project risks and impacts, as far as reasonably practicable.
- Integrate environmental and social considerations into its established credit cycle, as part of a decision-making process.
- Develop and enhance its E&S risk assessment tools and framework to identify and minimize business impact in a proactive manner.
- Provide support to its clients in the implementation of appropriate management systems to improve their environmental and social performance.
- Develop and maintain an Exclusion List (Refer to Annex 1) based on critical and emerging environmental and social risks and in accordance to international standards as detailed in the Equator Principles.
- Conduct the necessary capacity-building training and resources, on an annual basis, to gain their perspective and involvement into achieving the culture change and mitigating reputational risks.

c. Environmental and Social Risk Management

MCB Ltd has developed an Environmental and Social Risk Management methodology to systematically identify, assess and manage the environmental and social risks to which it is exposed through its lending activities and adopt mitigation measures. **Annex 2** illustrates how the ESRM process is integrated into the Bank Credit Risk Cycle.

ESRM objectives

The ESRM process complies with the requirements of the engagements taken by the Bank, notably the MCB Sustainable Finance Framework, Equator Principles, UNEP FI Principles of Responsible Banking, IFC Performance Standards and World Bank's Environmental, Health and Safety Guidelines.

Risk Identification

Risk identification is an integral part of the ESRM process and is conducted at different stages of a credit cycle, by applying the criteria defined by International Finance Corporation and the Equator Principles to categorise the projects as per the magnitude of their potential impacts. These categories are described as follows:

- **Category A** – Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented
- **Category B** - Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
- **Category C** - Projects with minimal or no adverse environmental and social risks and/or impact

For projects located in designated countries, the projects' environmental and social compliance are evaluated based on the relevant host country laws, regulations and permits.

For projects located in non-designated countries, the projects' environmental and social compliance is evaluated based on applicable IFC performance standards and the sector-specific Environmental, Health and Safety Guidelines (EHS Guidelines). These Performance Standards, summarized in **Annex 3**, cover:

- PS1 – Assessment and Management of Environmental and Social Risks and Impacts
- PS2 – Labour and Working Conditions
- PS3 – Resource Efficiency and Pollution Prevention
- PS4 – Community Health, Safety and Security
- PS5 – Land Acquisition and Involuntary Resettlement
- PS6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS7 – Indigenous Peoples
- PS8 – Cultural Heritage

Any project located in Environmentally Sensitive Areas (such as wetlands), as established by applicable country legal standards or subject to controversies in terms of social and environmental aspects, is considered as high risk and compliance will be evaluated against IFC Performance Standards with a focus on hierarchy of controls for biodiversity conservation.

Independent Review and Monitoring

All Category A project finance and project-related corporate transactions are subject to an independent review of the project's environmental and social impact assessment as per a defined scope of work. The review is carried out by an independent Environmental and Social consultant with the relevant expertise, appointed by the Bank in consultation with the Client.

High-risk category B project finance and project-related corporate transactions are subject to an evaluation, recommendations and approval process by the Risk and Central Sustainability Office teams to decide on the necessity for an independent review.

If necessary and depending on the criticality of environmental and social risks identified during monitoring of the facility, the Bank reserves the right to appoint an independent consultant for its Environmental and Social monitoring purposes.

The independent Environmental and Social consultant is selected from an approved list of consultants based on expertise, sector-related experience and reliable credentials.

Low E&S Risk or Category C projects

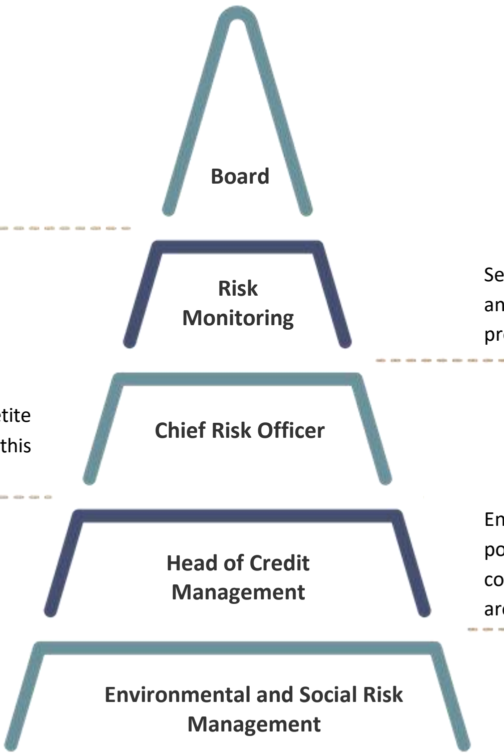
At a minimum, projects categorized as 'C' and having low environmental and social risks are required to abide by this policy, applicable environmental and social laws and regulations and IFC Performance Standards 1 and 2.

The Bank's ESRM process is summarized in the table below.

Key Steps	Objectives
Eligibility	ESRM team to assess whether ESRM process is applicable on a facility, based on the scope of application.
Categorisation	Projects are categorised A, B or C through a preliminary environmental and social screening carried out by the Bank.
Environmental and Social Assessment	Projects categorised A or B undergo a thorough Environmental and Social Due Diligence process to establish the compliance level of the project, existing assets and activities (if related to the project) by reviewing the following: • All applicable environmental and social laws and regulatory framework and necessary permits • Requirements under the Equator Principles, including UNGP Human Rights and Climate Change Risk Assessment • Applicable IFC Performance Standards • Industry-specific Human Rights, Environment and Health and Safety Guidelines
Environmental and Social Management System and Equator Principles Action Plan	Following the assessment and identification of any non-compliant issues, the Bank will develop an Environmental and Social Action Plan (ESAP) specifying deliverables and timeline in order to bring the Project to compliance with the Bank's requirements.
E&S Recommendations to credit committees	Following the E&S assessment and risk identification and categorisation, the relevant E&S recommendations, including proposed E&S conditions, are provided in the credit memo for escalation to the relevant credit committees.
Covenants	Depending on the risk level of the project and further analysis conducted post-credit approval, the relevant E&S conditions and clauses are included in the facility agreement in order to monitor the E&S performance of the project, including the ESAP, the Environmental and Social Management System of the project at all stages (incl. construction phase) and the E&S KPIs set if Borrower has benefitted from sustainable financing products.
Monitoring	The submission of the established Environmental and Social Action Plan, monitoring report and agreed KPIs is closely followed up by the Bank's ESRM team in order to ensure that the project is in E&S compliance at all times. Monitoring includes site visits and regular checks for any E&S related controversies, which will be escalated to the relevant committees in the event of breaches and founded/justified controversies.

6. Governance

The established governance for decisions related to the Bank's exposure to risks, including Environmental and Social risks is shown below:



The Board has the ultimate responsibility to ensure that risks are properly identified, measured, monitored, mitigated and managed

Setting up risk strategies and to assess and monitor the risk management process of the Bank.

Ensures oversight and implementation/execution of the risk appetite and that all business lines are aligned with this policy in decision-making committees.

Ensure that the objectives of the E&S Risk policy are integrated in the relevant credit committees and processes and resources are in place for its implementation.

Ensure the implementation of the E&S risk policy through proper identification and mitigation of E&S risks, monitoring of E&S conditions and relevant training.

7. Responsibilities

a. The **Risk Monitoring Committee (RMC)** of the Board, has inter alia responsibilities to review and recommend to the Board for the approval of the risk appetite, assist in setting up risk strategies and to assess and monitor the risk management process of the MCB Ltd. It also advises the Board on risk issues, including maintaining an oversight on Environmental and Social Risks, and monitors the risk of different portfolios against the set risk appetite.

b. The **Chief Executive Officer (CEO)** is responsible to set the Bank's overall strategy and **is ultimately responsible to ensure compliance of the E&S Risk policy across the Bank.** The CEO ensures that the strategy includes Environmental and Social risks and these are successfully cascaded down across the Bank.

c. The **Chief Risk Officer** is responsible to exercise oversight and alignment of the overall risk appetite and policies including consideration for environmental, climate and social risks and associated financial and reputational risks, and ensure its alignment with the overall Success Beyond Number strategy of the Bank.

d. The **Head of Credit Management** is responsible to ensure the application of this policy and process across all business lines.

e. The **Senior ESRM Executive** is responsible to implement this policy and process across all business lines and ensure its compliance with relevant regulatory requirements and MCB strategy at all times through continuous improvement.

f. The **ESRM team** is responsible for the proper identification of Environmental and Social risks in our financing activities and for the provision of accurate recommendations on E&S matters to the relevant decision-making committees and the coverage team.

g. The **Heads of Business lines (especially, Corporate and Institutional Banking and Business Banking)** are responsible to ensure that the ESRM requirements are fulfilled within the structuring of term sheet, facility agreement and drafting negotiations and executions.

h. The **ESRM team** is responsible to coordinate with the Central Sustainability Office for reporting purposes of ESRM eligible deals, sustainable financing and requirements of UNEP FI Principles for Responsible Banking.

i. The **ESRM team** is responsible to coordinate with Human Resources SBU and conduct relevant training on this policy within the different business lines on an annual basis.

j. The **Coverage team** leads and maintains the relationship with Clients and is responsible to comply with the requirements of the ESRM process for transactions falling under the scope of this Policy. The **Coverage team** is responsible to inform the ESRM team and relevant committees on any potential E&S related issues or controversies which its clients are facing.

k. The **Compliance team** is responsible to ensure that this policy abides to the criteria set out by the MCB Ltd Policy for the Formulation and Management of Policies.

l. Through this policy, MCB Ltd requires that its **clients** abide to the ESRM Process, provide accurate information and manage the environmental and social issues associated to their projects. The Clients are required to meet the undertakings pertaining to E&S aspects stated in the loan documentation throughout the loan tenor.

8. Review

This Policy shall be reviewed and updated on an annual basis, or earlier if required, by the Chief Risk Officer, and appropriate stakeholders to ensure that it remains appropriate in light of relevant regulatory developments and changes in organisational policies. All policies and any amendments thereto will be subject to approval of the Risk Monitoring Committee and the Remuneration, Corporate Governance, Ethics and Sustainability Committee.

9. Cross-referencing

SN	Committee	Mandate and responsibilities	Reference documents
1	**Risk Monitoring Committee**	Assist the Board in setting up risk mitigation strategies and to assess and monitor the risk management process of the MCB Group Limited and all its subsidiaries (collectively the "Group")	**MCB Credit Risk Policy** **Charter for Risk Monitoring Committee**
2	**Executive Credit Committee**	Principal responsibility for the management of credit risk portfolios within MCB	**MCB Credit Risk Policy**

10. Revision History

Date	Version	Action	Amendments	Reviewed by	Approved by	Approved Date
July 2012	1.0	New policy	N/A	A. LeClezio		
October 2021	2.0	Updated Policy	N/A	Z.Khodabocus	Corporate Sustainability Committee	26th October 2021
May 2023	3.0	Updated Policy	N/A	Z.Khodabocus	Risk Monitoring Committee	5th May 2023
May 2024	4.0	Updated Policy	N/A	Z.Khodabocus	Risk Monitoring Committee	6th May 2024
May 2025	5.0	Updated policy	N/A	Z.Khodabocus	Risk Monitoring Committee	7th May 2025

Annex 1 – Summary of the Guideline for Application of Environmental and Social Risk Policy on PRC/Early Bird Memos

1. Objective

The **objective** is to set a compulsory checkpoint and preliminary Environmental, Social and Governance (ESG) screening of potential deals by coverage team to ensure they comply to the MCB's Environmental and Social (E&S) requirements as elaborated in the policy before they are granted approval by the Committee. The findings must be included in the PRC memo.

2. Inclusion of Environmental and Social Considerations in PRC or Early Bird Memos

Coverage teams are required to include '**Environmental and Social Considerations**', as shown in Table 1, in the 'Request Summary' section of the PRC memo.

REQUEST SUMMARY	
Borrower	
…	
Environmental and Social Considerations	

Table 2: Request Summary

3. Environmental and Social Considerations

a. Exclusion List

i. Coverage teams are required to include E&S criteria during their initial discussion with potential clients.

ii. Coverage teams are required to share the Exclusion List (see Annex 1 in the E&S Policy) with their Borrowers and obtain the necessary confirmation from them on their compliance status.

iii. Once confirmation is obtained from the Borrower, the Coverage team is required to input the following in the 'Environmental and Social Considerations' row of table 1.

'Project is compliant to MCB Exclusion List'

b. ESRM eligibility

a. Any transaction, falling under the financing types and within the financial threshold as specified in Scope of Application of the E&S Risk Policy, will be eligible for the ESRM process. Coverage teams are required to perform the eligibility verification.

b. Once eligibility is established, the following must be included in the 'Environmental and Social Considerations' row of Table 1 by the Coverage team.

'Eligible for ESRM'

c. The Coverage team is required to include the ESRM team to conduct the Environmental and Social Risk Management Process.

Annex 2 - ESRM Process Integration into the Credit Risk Cycle

Credit Cycle Stage	Client Action	MCB Related Actions
INITIATION STAGE	▪ Client presents to the bank its request for financing and provides an initial overview of the deal ▪ Client sends their initial request for financing along with their business/project plan	▪ Coverage team prepares 'early-bird' memo for PRC approval to seek or confirm risk appetite for the client's proposal ▪ Coverage team to check compliance with MCB Exclusion list and conducts a preliminary eligibility check for ESRM process
CREDIT SANCTIONING STAGE	▪ Client to submit all required information to enable bank to conduct its due diligence and eligibility assessment – including any E&S related documents ▪ Discussion with MCB on proposed financing structure and conditions (incl. ESRM requirements) for approval by the bank's credit committees	▪ For any PRC-approved or new deal, Coverage team engages with Risk (incl. ESRM) teams for deal introduction and initiate the credit and E&S risk assessment ▪ Potential risks associated with the sector/activity and any controversy linked to the Borrower and the project are scrutinized via E&S risk assessment tools and available documents and ESRM recommendations included in memo sent to ECC by Credit or Risk team ▪ For any sustainable financing, ESRM team will apply the ESRM process and confirm alignment with MCB Exclusion List. ▪ ECC approval is sought
DOCUMENTATION, EXECUTION TO DRAWDOWN STAGE	▪ Client provides detailed documentation for the bank ESRM review – Environmental and Social Impact Assessment, Environmental and Social Management Plan, Action Plan (ESAP), etc ▪ Client reviews and agrees with the proposed Environmental and Social Conditions in the Facility Agreement	▪ Detailed analysis of the project plan and related Environmental and Social documentations to decide on risk level and the applicable process as per the Equator Principles. ▪ Category A and high-risk Category B necessitates the appointment of an independent environmental and social consultant for a detailed E&S due diligence. ▪ For all ESRM eligible projects, the relevant E&S clauses will be included in the Facility Agreement in order to ensure proper monitoring and compliance in terms of the Borrower's and project Environmental and Social Performance and agreed E&S KPIs ▪
POST DRAWDOWN STAGE	▪ As per agreed ESAP and E&S monitoring report, Client submits progress with evidence in bringing the project to compliance with MCB E&S Requirements (legal requirements, EP and IFC PS)	▪ Conducts site visits to check compliance level ▪ ESRM team receives and reviews updates on E&S reports from Client and/or Independent consultant ▪ Coverage, ESRM and Risk team collaborates with the client to identify non-compliance and propose remedial measures ▪ For critical non-compliances, ECC will be notified to decide on action plan

Annex 3 – Summary of IFC Performance Standards

Performance Standard 1 - Assessment and Management of Environmental and Social Risks and Impacts	
Highlights the importance of managing Environmental and Social performance through the life of a project via an effective environmental and social management system (ESMS) supported by management and engagement between its clients, workers and local communities.	
Objectives	• To identify and evaluate environmental and social risks and impacts of the project • To adopt a proactive mitigation hierarchy for to anticipate and avoid risks and/or where avoidance is not possible, minimize, and, where residual impacts remain, compensate/offset for risks and impacts to relevant stakeholders • To promote improved environmental and social performance of projects through the effective use of management systems • To ensure grievances from workers and communities are responded to and managed appropriately and available means to ensure environmental and social information are disclosed and disseminated to them
Performance Standard 2 - Labour and Working Conditions	
Importance to establish and maintain a sound worker-management relationship as a key success element in any organization, focused on fair treatment, adequate terms of employment, provision of safe and healthy working conditions, amongst others.	
Objectives	• To promote the fair treatment, non-discrimination, and equal opportunity of workers. • To establish, maintain, and improve the worker-management relationship. • To promote compliance with national employment and labor laws. • To protect workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties, and workers in the client's supply chain. • To promote safe and healthy working conditions, and the health of workers. • To avoid the use of forced labor
Performance Standard 3 - Resource Efficiency and Pollution Prevention	
Integration of latest technologies and good practices to mitigate impacts on the environment – land, air and water and stabilize consumption of finite resources in a sustainable manner.	
Objectives	• To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities. • To promote more sustainable use of resources, including energy and water. • To reduce project-related GHG emissions.
Performance Standard 4 - Community Health, Safety and Security	
Caters for the company's responsibility to avoid and minimize the risks and impacts to community health, safety and security in terms of infrastructure, equipment or activities through emergency preparedness and response, security management and safety design considerations.	
Objectives	• To anticipate and avoid adverse impacts on the health and safety of the affected community during the project life from both routine and non-routine circumstances. • To ensure that the safeguarding of personnel and property is carried out in accordance with relevant human rights principles and in a manner that avoids or minimizes risks to the affected communities.

Performance Standard 5 - Land Acquisition and Involuntary Resettlement	
Highlights the adverse impacts of project-related land acquisition and restrictions on land use and the proper management of resettlement activities can lead to more cost-effective, efficient and timely implementation of those activities and introduction of innovative approaches to improve the livelihoods of the affected parties.	
Objectives	• To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs To avoid forced eviction • To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impacts from land acquisition or restrictions on land use through the best applicable methods, such as compensation or resettlement activities with appropriate disclosure and consultation • To improve, or restore, the livelihoods and standards of living of displaced persons, including living conditions
Performance Standard 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources	
Highlights the critical importance of protecting and conserving biodiversity, maintaining ecosystem services and sustainably managing of living natural resources when undertaking a project and how ecosystem services are beneficial for people and business.	
Objectives	• To protect and conserve biodiversity. • To maintain the benefits from ecosystem services. • To promote the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities.
Performance Standard 7 - Indigenous Peoples	
Ensures that business activities minimize negative impacts, foster respect for human rights, dignity and culture of indigenous populations, and promote development benefits in culturally appropriate ways for Indigenous Peoples considered as more vulnerable to adverse impacts of a project development than non-indigenous communities.	
Objectives	• To ensure that the development process fosters full respect and preservation of human rights, dignity, aspirations, culture, knowledge, practices and natural resource-based livelihoods of Indigenous Peoples. • To anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts. • To promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner. • To establish and maintain an ongoing relationship with the Indigenous Peoples affected by a project throughout the project's life-cycle.
Performance Standard 8 - Cultural Heritage	
Highlights the importance of protecting and preserving cultural heritage, having unique environmental features, embodying traditional lifestyles and cultural knowledge, for current and future generations in the course of a project activity.	
Objectives	• To protect cultural heritage from the adverse impacts of project activities and support its preservation. • To promote the equitable sharing of benefits from the use of cultural heritage.

Assicurazioni Generali S.p.A.

INTEGRATION OF SUSTAINABILITY RISK IN THE INVESTMENT PROCESS

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Introduction

According to the Regulation (EU) 2019/2088 ("Sustainable Finance Disclosure Regulation" or "SFDR"), Assicurazioni Generali S.p.A.[1] publishes this disclosure containing information about the policies on the integration of sustainability risks[2] in the investment decision-making process.

For details on the diligence policies regarding Principal Adverse Impacts, please refer to the "Statement on principal adverse impacts of investment decision on sustainability factors".

Assicurazioni Generali S.p.A. is the ultimate Italian parent undertaking of the Generali Group. Belonging to the Generali Group entails also being involved in the several initiatives signed by the Group and committed to the common goals to pursue sustainable success, including all the insurance and reinsurance activities.

In particular, investments are a key aspect of how the Group conducts business. They have a significant impact on its financial performance, products, reputation and on multiple stakeholders (e. g. clients, broader society). Therefore an active integration of sustainability dimensions into investment decisions is critical.

As asset owner, Generali Group proactively integrates sustainability factors[3] into the investment process for insurance portfolios, across asset classes, thus achieving both financial returns and social more in general, shared value; through engagement and voting activities, the Group seeks to have an influence on issuers' behaviours.

Moreover, Generali Group is signatory of the United Nations Global Compact (2007), Principles for Responsible Investments (2011), Paris Agreement (2015), TCFD (2017). In line with these initiatives, for a number of years now it has been including in investment strategies also sustainability factors, without sacrificing profitability. This set-up allows the Group to have a positive impact on its stakeholders, reduce the risk for its investments and protect its reputation together with the value created over the time, consistent with its fiduciary duty.

[1] The present statement refers to the investments of "Legal Entity Assicurazioni Generali S.p.A. as standalone insurance company, and does not include other activities and investment carried out by other legal entities of the Group in terms of asset management for third parties, banking activities and pension funds.
[2] Sustainability risk refer to an environmental, social or governance event or condition that, if occurs, can cause an actual or a potential material negative impact on the value of the investment.
[3] Sustainability factors refer to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

1 How Generali integrated the sustainability risk into its investment process

A sustainability risk means an environmental, social or governance event or condition that, if occurs, can cause an actual or a potential material negative impact on the value of the investment. The identification of sustainability risks that can have a material impact on the value of our investments is a duty toward the Group stakeholders and investors.

Generali Group formalized its commitment to responsible investment in the Investment Governance Group Policy[4] and in the "Integration of Sustainability into Investment and Active Ownership Group Guideline[5]" that include also the sustainability risks management.

The Group has defined a sustainable investment framework and adopts guidelines in order to:

- take into account sustainability risk deriving from the investment strategy and decisions;
- manage the potential long-term impact on sustainability factors deriving from its investment strategy.

The sustainable investment framework[6] is composed of four pillars aiming at:

- excluding from investments issuers, sectors or activities due to issue related to environmental social or governance factors not aligned to minimum standards of business best practice or based on international norms7 impacting on their long-term financial performance and/or exposing the Group to higher sustainability and reputational risks;
- integrating in the investment analysis and decisions, across different asset classes, the assessment of the long-term impacts on sustainability factors;
- developing sustainable thematic investments programs promoting specific environmental or social objectives;
- carrying out investment stewardship on investee companies (through voting at Annual General Meetings and/or engaging) to promote sound practices in considering sustainability factors and risk in their long term plan and business practices.

Investments linked to Insurance Based Investment Products (IBIPs) are subject to an ad-hoc framework which takes into account the specificities of such products (the investments selection is based on the sustainability preferences[8] of the policyholders and the return and risk of the investments are exclusively or mainly retained by policyholders).

The Group Responsible Investment Committee, set up in 2015 at Group Head Office Level and chaired by the General Manager, has the objective of steering the implementation of the sustainable investment framework through the definition of specific guidelines, objectives, targets.

Moreover, Assicurazioni Generali updated the Framework Resolution on Investments pursuant to Article 8 of IVASS Reg. 24/2016 integrating sustainability risks identification and management in the investment's activities at legal entity level.

1.1 CLIMATE CHANGE RISK

As mentioned by the World Economic Forum in their latest Global Risk report, the risks linked to environmental aspects are

[4] Updated following the new requirements of the EU Del. Reg. 2021/1256.

[5] Available at the following page: https://www.generali.com/our-responsibilities/responsible-investments.

[6] According to the PRI taxonomy that the Group adopts being a PRI signatory since 2011.

[7] E.g. UN treaties, Security Council sanctions, UN Global Compact, Universal Declaration of Human Rights and OECD guidelines.

[8] Sustainability preferences refer to customer's or potential customer's choice as to whether and, if so, to what extent, one or more of the following financial instruments should be integrated into his or her investment:

- a financial instrument for which the customer or potential customer determines that a minimum pro-portion shall be invested in environmentally sustainable investments as defined in Article 2, point (1), of Regulation (EU) 2020/852 of the European Parliament and of the Council;
- a financial instrument for which the customer or potential customer determines that a minimum pro-portion shall be invested in sustainable investments as defined in Article 2, point (17), of Regula-tion (EU) 2019/2088;
- a financial instrument that considers principal adverse impacts on Sustainability Factors where qual-itative or quantitative elements demonstrating that consideration are determined by the customer or potential customer.

increasing year after year, both in terms of likelihood and magnitude of impact. Among the different risks linked to environmental factors (which include also loss of biodiversity, cases of water and soil pollution), climate change risk is of particular relevance. Within climate change risk, climate action failure and extreme events are now considered the most important risks by the international community.

When talking about climate change and the increase of the global temperatures, two main risks categories apply, being the transition and the physical risk. If global warming is going to be limited, a change in the structure of the economy (including energy, production, transportation and agricultural systems) is required. As such, transition risk can derive from a combination of socio-economic variables, including the development of regulations, of new technologies and of consumer preferences. At the same time, even an absence or proper introduction of measures to restrict the global warming would result in physical impacts of climate change. Physical risk derives from a combination of physical variables, including increased frequency of extreme climate events such as floods, heat waves, storms, wildfires, droughts and of chronic climate events such as sea level rise that can lead to both damages and business interruptions.

Anyhow, both Climate Change risks (transition and physical risks) pose a great challenge to the society given its nature, as expressed by the IPCC[9], as a complex outcome of the interaction between the vulnerability (how susceptible a human or natural system is to adverse impacts of climate change), the exposure (presence of people, ecosystems, services, infrastructure, socio-economic and cultural activities, which may be exposed to adverse impacts of climate change) of the land to climate impacts, and the hazards caused by climate and climate change (extreme events and climate trends).

Generali considers all these elements in the assessment performed to integrate sustainability risk into the investment decision-making process.

As anticipated, transition risk derives from the transition toward a low carbon economy. Companies and businesses characterized by an elevated level of emissions during the activity or which sell polluting products, face the risk of having their assets becoming stranded (stranded assets), which means they lose their value prior to the end of their economic life. The coal power plants are the clearest example of this risk. Due to growing efforts and commitments to phase out coal worldwide, environmental regulations are increasing and influencing the cost of producing energy using coal and the public pressure reduces the demands of the electricity coming from this activity. This inevitably leads to market instability to be taken into account. Despite the increasing trend of fossil fuel prices linked to geopolitical instability and the war in Ukraine, in the long term we estimate that environmental regulations will contribute to the devaluation of these particularly polluting assets, i.e. reduce their value before the time. This can have an important impact on in our investments and we want to manage this risk carefully.

In order to manage the transition risk and in particular the risk of seeing the assets of the companies in our portfolio reduced, from 2018 Generali adopted a Climate Change strategy (https://www.generali.com/our-responsibilities/our-commitment-to-the-environment-and-climate) that has the aim to ensure that the main activities of the Group, i.e. the investment and underwriting activities, as well as the operational activities, are conducted in order to manage the risks and seizing the opportunities deriving from the 'just' transition towards a low-carbon economy, integrating the social dimension into the climate strategy to minimize the impact on affected workers and their communities through the adoption of protective measures.

The concrete application of this Strategy for the investment activities as an asset owner focuses on three main elements: i) increasing the weight of sustainable thematic investments (green and sustainable asset); ii) reducing exposure to carbon-intensive issuers (exclusion criteria); iii) methodically measuring and reducing its own carbon footprint (portfolio decarbonization).

For what concern the objective of increasing the weight of sustainable thematic investments, the Group has set a target to make new green and sustainable investments of € 8.5 - € 9.5 billion by 2025, in addition to those already in its portfolio at the end of 2020.

For what concerns the objective of reducing exposure to carbon-intensive issuers, the Group is committed to the phase-out of investments in the coal sector by 2030 for OECD countries and by 2040 for the rest of the world. To this end, starting from June 2021, Generali introduced stricter exclusion thresholds for coal-related issuers.

Moreover, Generali is committed to progressively reducing its exposure to the unconventional oil and gas sector with respect to exploration and production activities (i.e. the upstream segment) in addition to some specific midstream activities, to support the goal of reaching a carbon-neutral investment portfolio by 2050. Effective 1 January 2023, Generali has extended the exclusion policy both to issuers involved in exploration and production of oil and gas extracted by fracking (shale oil, shale gas, tight oil, tight gas) and to issuers with onshore and offshore exploration and production activities that fall within the Arctic Circle.

[9] https://www.ipcc.ch/site/assets/uploads/2021/02/Risk-guidance-FINAL_15Feb2021.pdf

For what concerns the objective of measuring and reducing the carbon footprint of the portfolio, Generali set specific intermediate targets by 2024 with respect to the 2019 baseline, detailed as follows:

- 25% reduction of the carbon footprint of the direct investment portfolio for listed equities and corporate bonds;
- alignment of at least 30% of the real estate portfolio value with the global warming trajectory of 1.5 °C.

The effort and the measures taken to reduce the level of GHG emissions is only part of the climate change effort. Even if the Group manages to reduce the level of emissions, it needs to face the future possibility of further irreversible changes in global climate patterns. According to IPCC, human activities are estimated to already have caused approximately 1.0°C of global warming above pre-industrial levels and, at the current rate, global warming is likely to reach 1.5°C between 2030 and 2052. The impacts of this occurrence include severe impacts on ecosystems, sea level rise and increase of extreme weather events (drought, cyclones, floods, wildfires) – so called physical risks.

In line with the increasing European regulatory developments and due to the growing expectancy from the market, the Group Risk Management function launched in 2019 the multiyear Climate Change Risk project, with the aim of defining a climate risk management framework that considers jointly: outside-in (or incurred) risk, related to the impacts of climate change on the Group, in particular on the value of the investments and on the profitability of services and products, and inside-out (or generated) risk, related to the impacts that the Group generates through its operations and, indirectly, through investments, services and products.

The framework is based on the four phases of the Risk Management process already defined in the Risk Management Group Policy, being identification, measurement, management and reporting.

During 2022 the Group has defined a proprietary methodology and an internally developed tool (Clim@Risk), for assessing the impact of climate scenarios on the investment and P&C underwriting portfolio, designed a system of risk limits to manage both the exposures to climate change risk (outside-in perspective) and the monitoring of the defined targets' achievement (inside-out perspective), and strengthened the risk reporting process on the framework and the findings of the assessments conducted.

Climate scenarios currently used describe a change in the global temperature expected at the end of the century compared to the pre-industrial period, mainly deriving from the assumptions of greater or lower emissions of CO_2 and other greenhouse gases in the atmosphere and their effect on geophysical variables that regulate the Earth's climate.

The Group selected six scenarios with different possible future trends based on the most recent recommendations of the Network for Greening the Financial System (NGFS) and the Intergovernmental Panel on Climate Change (IPCC) that allow for capturing both the transition impacts, taking into account different speed and order for the implementation of decarbonisation policies, and the physical impacts: Net Zero 2050, Below 2°C, Divergent Net Zero, Delayed Transition, Nationally Determined Contributions (NDC), Current Policies.

In addition to the NGFS scenarios, for physical risks the corresponding IPCC scenarios were considered: Shared Socioeconomic Pathways - SSP1-2.6, SSP2-4.5 and SSP5-8.5.

To capture the most significant expected impacts the Group focused on short, medium and long-term time horizons, respectively 2025, 2030, 2050.

The analysis on the investment portfolio focused on the general account and specifically equities corporate bonds government bonds and real estate .

The Group measures physical and transition risk using a methodology that allows to determine impacts of climate scenarios on the exposures identified based on climate stress tests. The results obtained provide forward-looking indications of the effects of climate change on the Group's portfolios.

Climate risk, considering both incurred risk and generated risk, is integrated in decision-making processes through the definition of a specific appetite, including limits and processes in case of breaches.

For more results please review the section "Challenges and Opportunities of the Market Context" included in the Annual Integrated Report and Consolidated Financial Statements 2022.

Company Policy

IFP
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Sustainability Risk Policy

Ref: IFPIM-22 (format for external publication)

March 2025

Definitions

- "**ESG**" means Environmental, Social and Governance.
- "**Sustainability factors"** means environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.
- "**Sustainable Investment"** means an investment in an economic activity that contributes to an environmental objective, a social objective and that the investee has good governance practices.
- "**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 investment.
- An "**environmentally sustainable economic activity**" means an activity which-contributes substantially to one or more of the environmental objectives:
  - does not significantly harm any of the sustainable objective objectives.
  - is carried out in compliance with the minimum safeguards.
  - complies with the technical screening criteria of the EU Commission.
- A "**Transitional economic activity**" means an economic activity for which there is no technologically and economically feasible low-carbon alternative but which contributes substantially to climate change mitigation where it supports the transition to climate-neutral economy consistent with the pathway to limit the temperature increase to 1.5 degree above pre-industrial levels subject to certain conditions.
- A "**socially sustainable economic activity**" means an activity which:
  - contributes substantially to social objectives.
  - does not significantly harm any of the sustainable objectives.
  - is carried out in compliance with the minimum safeguards.
- The following definitions relating to environmental sustainability and objectives apply throughout this policy:
  - "**Biodiversity**" means the variability among living organisms arising from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part and includes diversity within species, between species and of ecosystems.
  - "**Circular economy**" means an economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible,

enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimising waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.

- "**Climate change adaptation**" means the process of adjustment to actual and expected climate change and its impacts.
- "**Climate change mitigation**" means the process of holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels, as laid down in the Paris Agreement.
- "**Ecosystem**" means a dynamic complex of plant, animal, and micro-organism communities and their non-living environment interacting as a functional unit
- "**Enabling activity**" is an activity which enables other to make a substantial contribution to one or more of those objectives, provided that such economic activity:
  - Does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets.
  - Has a substantial positive environmental impact, based on life cycle considerations:

Scope

This document gives an overview about how IFP INVESTMENT MANAGEMENT S.A. ("IFPIM") fully integrates sustainability risks into the investment decisions.

It also integrates the requirements fixed in the applicable laws and regulations related to the subject including:

- 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, as amended (referred to as the "Regulation on sustainability-related disclosures in the financial sector" or "SFDR").
- 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 (referred to as the "Regulation on the framework for environmentally sustainable investment").
- Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088.
- Circular CSSF 21/773 providing guidance to credit institutions on managing climate related and environmental risks (referred to as a source of valuable principles).

Identification of Sustainability Risks

Sustainability risks can be subdivided into 3 categories:

- **Environmental**: environmental events may create physical risks and transition risks for companies. Physical risks are for instance the tangible effects that climate change have on a company (direct damages on assets from e.g., floods, wildfires, or storms and indirect impact on the company supply chain) whereas transition risks are business related risks that follow societal and economic shifts towards a low-carbon and more climate-friendly future. These risks can include policy and regulatory risks, technological risks, market risks, reputational risks, and legal risks.

- **Social**: refers to risk factors related to the human capital supply chain and how businesses manage the impact of these factors on society. A broad range of factors (e.g., gender equality, compensation policies, health & safety, working conditions) that can impact a company's operational effectiveness and resilience, as well as its public perception, and social license to operate.
- **Governance**: these aspects are linked to the governance structure and could include, but are not limited to, risks around board-independence, ownership & control, audit, compliance & tax practices. A business that overlooks these risks could potentially incur large financial penalties and lose investors, customers, and stakeholder support.

When determining its business strategy, IFPIM takes into consideration climate related and environmental risks that materially impact their business environment in the short, medium and long term and will integrate in its risk appetite framework climate related and environmental risks indicators and limits.

In reference to Article 3 of the SFDR, sustainability risk management is an integral part of IFPIM's investment strategies and processes for all our investment products. This does not mean that we will systematically disregard an instrument with high sustainability risks, but those instruments will undergo additional scrutiny.

Application of this Policy

This sustainability risk policy is applied to all our sustainably managed funds (see list below) and sustainable portfolios. The PMs thoroughly analyse and check each potential investment with financial criteria and extra financial criteria before investing.

The portfolios are constantly monitored by the PMs. Periodic reports and reviews of the sustainable funds are carried out internally and verified with the data from our external verifier on sustainability, Conser ESG Verifier, to ensure ongoing full compliance with our policy.

We also use the data of another provider, ISS, to make sure SFDR requirements are fulfilled for our sustainable products.

IFPIM's Philosophy

- Sustainability is our core value. We are fully dedicated to responsible investments.
- We are strong believers that sustainable financial returns are strongly correlated with the proactive management of environmental, social and governance risk.
- We continually improve our proprietary investment tools and ESG/SDG assessment since launch in 2009, and we have acquired a strong and consistent track record and reputation.
- We apply the same rigid sustainability assessment across all asset classes.

IFPIM's Sustainable objective

Sustainable Investing for Superior Returns. We have fund-specific sustainability objectives in place for each of our IFPIM sustainable funds regulated by (EU) 2019/2088 SFDR Article 9.

IFPIM sustainable funds have environmental and/or social objectives and carry the following characteristics:

- Contribute substantially to one or more of the funds' environmental and/or social objectives
- Do not significantly harm any of the environmental or social objectives
- Are carried out in compliance with the minimum safeguards

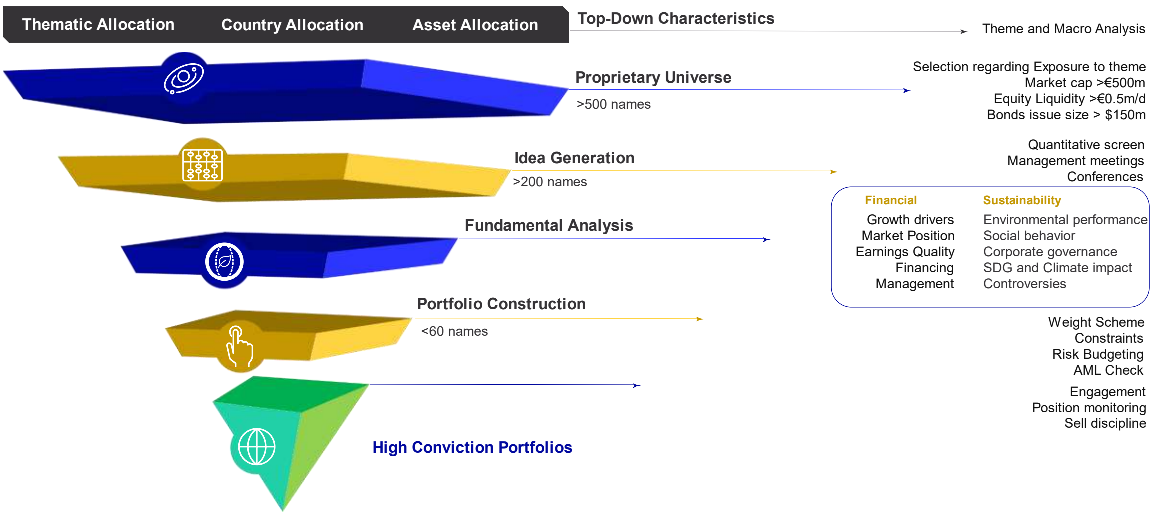
To avoid double-counting, an investment is either classified as environmental or social, depending on the company activity and impact, as outlined in each fund's investment policy.

IFPIM's Sustainable Investment process with ESG integration & impact analysis

Our ESG company assessment is fully integrated in our disciplined investment process. By combining rigorous financial analysis with equally rigorous ESG/SDG assessment, we identify companies that are:

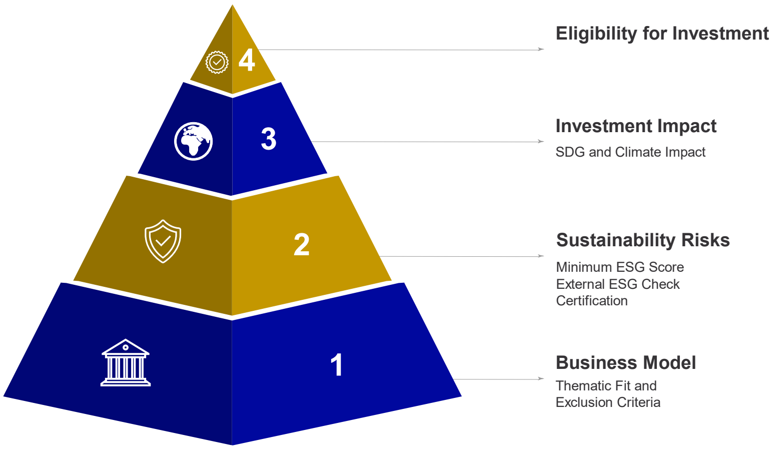
- Leaders in their industries
- Better-managed, more forward-thinking
- Better at anticipating and mitigating risk
- Embracing high standards of corporate responsibility
- Focused on the long term.

By investing in these types of companies, we focus on reducing risk and delivering competitive long-term investment performance to our clients.



Source: IFP Investment Management S.A., 31/12/2024

IFPIM's Sustainability Assessment



Source: IFP Investment Management S.A., 31/12/2024

Investments qualify as sustainable according to the following sustainability indicators:

- **Proprietary ESG score** above threshold.
- **Positive SDG impact**: Invested companies must positively contribute to at least one of the environmental and/or social focus SDGs, according to our proprietary SDG (Sustainable Development Goal) impact score methodology.
- **Climate impact**: investments should aim to align with Paris global warming limits and reduction of carbon emission. Details can be found in our IFPIM Paris Alignment Manual.

Proprietary ESG score

Source: IFP Investment Management S.A., 31/12/2024

Our proprietary ESG assessment comprises 12 sustainability factors (5 environmental, 3 social and 4 governance, see chart above) we see as financially material. For each sustainability factor we qualitatively assess if there is a company strategy or policy in place to meaningfully address it. If so, we allocate a point. We summarize the points across the 12 sustainability factors for each company invested to reach a total company ESG score. We document the company ESG score in the written investment analysis factsheet for each investment candidate. Each potential investment candidate must pass a minimum threshold score greater than 6 (out of 12), which helps us to identify the strength and weaknesses of a firm as well as any controversies. For our analysis we use company data, Bloomberg data as well as publicly available data from other sources. We also calculate and report the fund ESG score based on the weighted sum of the investee companies' ESG scores. It serves both our holistic sustainable investment approach and as a risk management and performance enhancement tool for us.

We also respect the ADVERSE SUSTAINABILTY IMPACT on sustainability factors, including the ESG exclusion list (please refer to IFPIM Adverse Impact and Exclusion Policy).

SDG impact

The UN Sustainable Development Goals (SDGs) were endorsed in September 2015 and target not only the international community and public sector but are also directed at the private sector. The support of corporations and capital markets is essential, if the 17 SDGs and 169 targets for sustainable development are to be achieved by 2030.

Source: UN Website. The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.

We at IFPIM measure and report the impact of our fund holdings towards the UN Sustainable Development goals (SDGs). As the UN SDGs primarily target states and the public sector, not all of the goals are relevant for companies. For each individual company, a qualitative analysis is conducted internally to determine whether its product or services make a direct or indirect net contribution towards attaining the objective. We expect that the signatory states will pass regulations and guidelines imposing further obligations on the private sector, so business models oriented towards the sustainability objectives will not only bring opportunities for investors but also mitigate risks.

We score a company according to its impact on the SDGs, resulting in a SDG company impact score (the higher the better) as well as a portfolio impact score. The company impact helps us clearly analyse and understand where a company has a positive impact, within which SDGs is the positive impact being achieved, and what exactly are the companies doing to achieve the positive impact. Measurement is based on the company's sustainability report or other publicly available data. Details can be found in our IFPIM SDG Impact Manual.

Our sustainable fund holdings need to make a positive impact on at least one of our focused SDGs:

- IFP Global Environment Fund: SDG13 (Climate Action), SGD11 (Sustainable Cities and Communities), SDG7 (Affordable and Clean Energy) and SDG6 (Clean Water & Sanitation).
- IFP Global Age Fund: SDG3 (Good Health & Wellbeing), SDG 12 (Responsible Consumption and Production).

Climate impact

We assess the impact of the fund and its holdings on the climate in various ways to get a complete picture of the impact of our investments. This enables us to understand the impact of our Fund on global warming and to avoid holdings that would endanger reaching the EU climate targets. Details can be found in our IFPIM Paris Alignment Manual.

- **Carbon profile**: to calculate and report the funds' carbon emission profile we use company data, Bloomberg data & estimates, data provided by our independent sustainability verifier Conser as well as ISS data. Emission calculations include Scope 1 (direct emissions) and scope 2 emissions (indirect emissions from the generation of purchased electricity, steam, heat, or cooling), and if available also Scope 3 (all other indirect emissions from activities of the company, occurring from sources that it doesn't own or controlled). We expect the indicators to decrease over time, and report them periodically, e.g. as part of the annual Adverse Principal Impact Indicator (PAI) statement.
- **Absolute emission exposure**: total greenhouse gas (GHG) emitted (if available, else total CO_2). Calculated as millions of metric tonnes based on historical data.
- **Carbon intensity**: Calculated and reported as metric tonnes of greenhouse gases (if available, else CO_2) emitted per millions of sales in the company's reporting currency.
- **Carbon footprint**: Calculated and reported as metric tonnes of greenhouse gases (if available, else CO_2) emitted per millions of assets in the company's reporting currency. We also report the weighted carbon intensity of the fund compared to the market, by using appropriate indices like Bloomberg Developed Market or MSCI World and ISS data.
- **Implied global warming and net zero alignment**: to measure the alignment with Paris goals we also assess for each of the fund holdings the existence of concrete net zero goals

and/or carbon reduction strategies aligned with associations like the Science Based Targets initiative (SBTi). We strive to maximize the percentage of fund holdings limiting a global warming to well below 2 degrees Celsius. We also consider ISS climate data to assess the implied temperature increase for each fund holding and each fund.

- **Integrated proprietary ESG screen**: we analyse the impact on climate directly in our proprietary ESG screen through the environmental sustainability factor “climate change policy”. If a company has a strategy or policy in place that positively impacts climate change, we allocate a point which contributes to the overall ESG company score. In case a company negatively impacts the climate, it needs to have a credible transition plan in place or otherwise we look for alternative investments that are better aligned with preventing global warming.
- **SDG impact**: we qualitatively assess and report on any positive or negative impact on climate through the impact on SDG 7 (affordable and clean energy) and SDG 13 (climate action), as outlined in detail in the IFP SDG impact investing manual.
- **Positive Impact on SDG 7**: if a company produces renewable energy equipment (solar, wind turbines) or if a company is a utility provider with a significant focus on renewable energy or if a company has products or provides infrastructures supporting the distribution of energy and shows efforts for increasing the amount of clean energy, provides crucial support for the development of clean and affordable energy (e.g. financing institutions, which are issuing green bonds).
- **Positive impact on SDG 13**: when measures are taken by companies to reduce environmental impact and prevent climate change. This especially includes efforts and measures to reduce GHG emissions and the overall environmental impact of a company, such as the switch to renewable energy, more efficient logistics fleets and distribution technologies. We also use quantitative measures, such as the annual reduction in GHG emissions or the targets that a company has set within the next years.
- **Climate relevant sectors and Environmental Objectives according to SFDR**: We assess and report the climate impact through fund exposure (in % of assets) to climate-relevant sectors like clean tech, water, and fossil fuels or asset class like green bonds etc.

We fully comply with the transparency disclosure foreseen in the SFDR(EU) 2019/2088 Regulation) supplemented by Delegated Regulation (EU) 2022/1288 of 6 April 2022, for our sustainable products that are listed in this Policy.

Data sources

As data sources we use proprietary research along with publicly available data, Bloomberg data & estimates, and analysis from our ESG verifier “Conser ESG-Verifier SA”, ISS data, external databases, interactions with company management.

Our sustainable investment range in the Funds we manage

IFP Global Age Fund – global SRI equity:

- ISIN LU0854762894 (EUR class).
- ISIN LU1864998163 (EUR I class).
- ISIN LU0854763199 (CHF class).
- ISIN LU0854763439 (USD class).

IFP Global Environment Fund – global balanced SRI (equity & corporate bonds):

- ISIN LU0426578240 (EUR class).
- ISIN LU0594108226 (CHF class).
- ISIN LU0594107848 (USD class).
- ISIN LU1864998593 (EUR I class).

Our sustainable investment approach can also apply to private and institutional mandates.

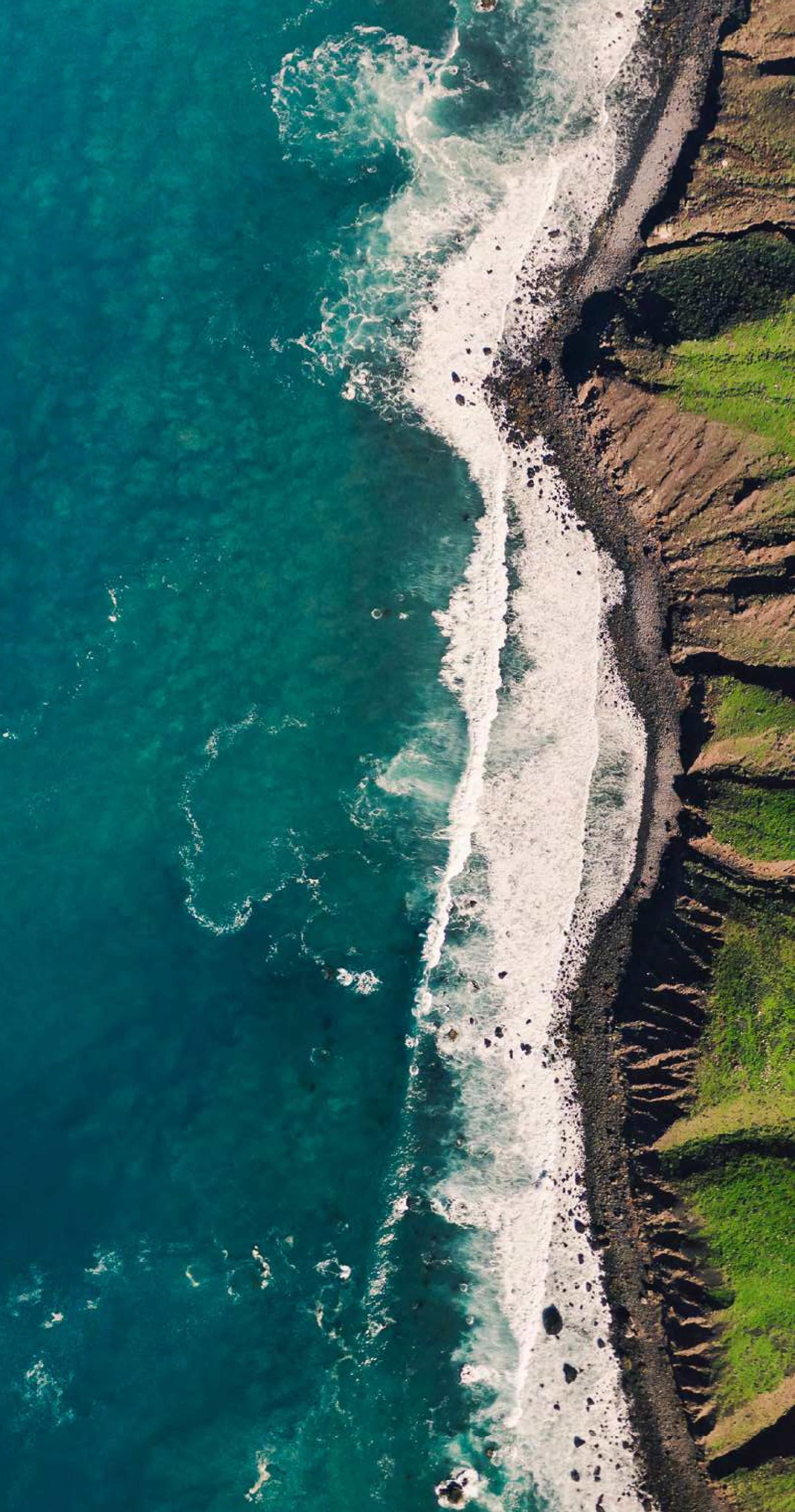
Morgan Stanley

INVESTMENT MANAGEMENT

Sustainable Investing Policy

December 2024

Contents



Executive Summary

Morgan Stanley Investment Management ("MSIM")[1] is a client-centric organization dedicated to providing investment and risk-management solutions to a wide range of investors and institutions including corporations, pension plans, intermediaries, sovereign wealth funds, central banks, endowments and foundations, governments and consultant partners worldwide.

With over four decades of asset management experience, our investment strategies span the risk/return spectrum across geographies, investment styles and asset classes, including equities, fixed income, alternatives, and private markets. Our independent investment teams are able to provide in-depth knowledge and expertise while channelling the strength of our global presence and resources.

To support the delivery of tailored, value-added investment solutions to clients, MSIM has a decentralized approach towards investment management, consisting of independent public and private markets investment teams and asset class platforms. This decentralized investment approach across public and private markets asset class platforms allows investment teams to be responsible for, tailor and develop their individual approaches to sustainable investing across multiple factors including, but not limited to, the objectives of the product, asset class and investment time horizon, regional or country-specific considerations as well as the specific research and portfolio construction, philosophy and process used by each team. Investment teams assess the potentially financial materiality of environmental, social and governance ("ESG") related risks and opportunities as appropriate for each investment strategy. MSIM believes that ESG factors can present investment risks and opportunities. Understanding and managing these risks and opportunities may therefore contribute to both risk mitigation and long-term investment returns. Engagement and stewardship are a key part of this understanding, where investment teams seek to engage with the assets or companies they own, with the aim of delivering long-term value, as appropriate, and align with our objective of being responsible stewards of our clients' capital.

[1] MSIM refers to the investment management business segment of Morgan Stanley, a global financial services firm. MSIM is composed of a number of wholly-owned subsidiaries of Morgan Stanley. References to "Morgan Stanley" or the "Firm" in this Policy refer to the parent company and its consolidated subsidiaries. In some instances, MSIM may leverage or be a part of Morgan Stanley's processes and/or initiatives related to sustainable investing. In addition to the overarching principles embedded in this Policy, MSIM's individual investment teams and advisor entities (collectively, "investment teams") may maintain additional policies related to sustainable investing, as appropriate. Some investment strategies may not consider ESG factors where it is not currently feasible or appropriate to do so as determined by an investment team, including but not limited to: passive investment strategies, certain asset allocation strategies, or where requested by clients.

MSIM Approach to Sustainable Investing

As a client-centric organisation, we seek to provide investment and risk management solutions tailored to a wide range of clients' preferences, including where possible any relevant sustainability preferences. MSIM investment teams act as long-term investors and our collective purpose in seeking to deliver long-term value for our clients guides our approach to sustainable investing which we seek to deliver in three main areas:

- Deliver Global Depth and Breadth in Sustainable Investing Expertise: Within certain MSIM investment teams, there are designated sustainability specialists or individuals responsible for particular aspects of sustainability. These efforts are supported by the MSIM Sustainability team and other centralized resources, as discussed throughout this Policy.
- Offer Clients a Spectrum of Flexible and Innovative Sustainable Investing Solutions: We aim to provide our clients with investment and risk-management solutions across asset classes that seek to align their return objectives with their sustainability preferences as appropriate.
- Maintain Effective Stewardship Standards: As fiduciaries of our clients' assets, it is important that we carefully consider potentially financially material ESG risks and opportunities and engage and act on behalf of and in the best interest of our clients. Management of ESG risks and opportunities, as applicable, is an important component of our business approach to sustainable investing which requires effective stewardship to inform the investment process and advocate for financially relevant changes as part of our fiduciary duty to our clients. This enables overall accountability of our investee companies, and in turn, our clients' assets.

A. DELIVER GLOBAL DEPTH AND BREADTH IN SUSTAINABLE INVESTING EXPERTISE

MSIM's investment teams incorporate the assessment of potentially financially material ESG risks and opportunities into investment decision-making processes, as appropriate and according to investment teams' particular investment strategies. Incorporation of such ESG risks and opportunities may occur at various stages of the investment lifecycle including due diligence and research, valuation, asset selection, portfolio construction, and ongoing engagement and investment monitoring.

MSIM's investment teams seek to leverage such assessment of ESG risks and opportunities, along with other relevant information, in a way that is aligned with the specific investment philosophy, asset class, and time horizon of a given strategy or product.

Investment teams may leverage any of the following types of information and resources to support their ESG analysis:

1. Company disclosed information (which may include a company's quarterly financials, earnings calls, general company reporting and / or disclosures, including sustainability-related disclosures);
2. Non-company disclosed information (such as news reports or industry data);
3. Third-party research and data, including those from third-party consultants;
4. Engagement with companies;
5. Proprietary and derived research and data; and/or
6. Other data sourced through bespoke due diligence.

B. OFFER CLIENTS A SPECTRUM OF FLEXIBLE AND INNOVATIVE SUSTAINABLE INVESTING SOLUTIONS

We offer clients a wide range of sustainable investing solutions across asset classes in actively and passively managed vehicles that seek to align clients' return objectives with their sustainability preferences as appropriate. These include products that may consider ESG factors at a security and/or portfolio level, by deploying a variety of ESG tools and investing approaches, including without limitation, minimum criteria for inclusion, exclusionary screens (e.g. sector/norms-based/sovereign/environmental/social controversies etc.), utilizing proprietary quantitative and qualitative assessment processes, and intentional tilts towards certain sustainability factors, and/or requiring a threshold allocation to certain thematic labelled/certified securities[2], such as a focus on sustainable/thematic outcomes and/or seeking to achieve attractive financial returns alongside positive environmental and/or social impacts. We also strive to provide relevant quantifiable metrics and reporting for our products and solutions[3] where relevant, as data availability and access improve over time.

C. MAINTAIN EFFECTIVE STEWARDSHIP STANDARDS

MSIM has a duty to be good stewards of our clients' capital. We fulfil this duty by seeking to engage with selected companies in which we invest, and by exercising our proxy voting and other rights as shareholders. These stewardship activities give us the opportunity to help guide companies in which we invest toward better ESG practices, which we believe may contribute to producing attractive returns for our clients over the long-term.

Our investment teams, where appropriate to their investment strategy, endeavor to engage in constructive dialogue with companies, which may encompass activities ranging from meetings and discussions on a particular issue to multi-year engagements on a range of ESG topics specific to the company or asset to encourage improvement of companies' ESG practices where relevant. This can encompass a range of topics that may affect the long-term value of a business or asset, including strategy, capital structure, operational performance and delivery, risk management, executive pay and corporate governance, recognising that different approaches to engagement may be appropriate in different regions. This helps us manage risk in the near and long-term, enhance our understanding of our investee companies/issuers, and, where relevant, create positive sustainable outcomes – all of which we believe may contribute to the long-term returns of our clients.

The MSIM Sustainability team has identified five common themes which certain of our investment teams focus on in their engagements, based on their respective investment strategies, where relevant and appropriate. These five Engagement Themes are aligned with the United Nations Sustainable Development Goals, which are areas that may cause risk to our society and well-being, global economy and/or capital markets, but may also present opportunities for improved sustainable and/or financial outcomes.

[2] Examples include green bonds or climate bonds (the latter of which can be issued according to the Climate Bonds Standard & Certification Scheme.
[3] Including products' sustainable features and information and data required for regulatory disclosures, where relevant.

MSIM Engagement Themes

DECARBONIZATION & CLIMATE RISK	Supporting the transition to a low carbon economy in line with Paris Agreement goals	▪ Renewable energy and clean tech ▪ Energy efficiency ▪ Physical impact adaption ▪ Just transition
DIVERSE & INCLUSIVE BUSINESS	Supporting business practices that create a more just and inclusive society	▪ Affordable access to essential services ▪ Investing in communities ▪ Racial justice ▪ Pay equity ▪ Board/employee diversity
NATURAL CAPITAL & BIODIVERSITY	Supporting business modelsthat reduce negative impact on biodiversity in line with the Post 2020 Biodiversity Framework	▪ Sustainable sourcing anduse of resources ▪ Land and sea use change ▪ Deforestation ▪ Pollution reduction
CIRCULAR ECONOMY & WASTE REDUCTION	Supporting business models that reduce impact on natural resources and that innovate to reduce waste generation, with a focus on plastic waste	▪ Recycling and reuse ▪ Sustainable sourcing ▪ Lifecycle analysis ▪ Water stewardship
DECENT WORK & RESILIENT JOBS	Supporting decent work across the entire value chain and making workforces resilient in the face of innovation and change	▪ Automation and the workforce ▪ Supply chain management ▪ Living wage ▪ Workforce well-being

Investment teams may also engage on other areas not limited to these five themes. MSIM recognises that the UN Sustainable Development Goals (SDGs) were written by Governments for Governments and therefore engagement themes with corporates and the SDGs may not be perfectly aligned. The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.

See https://www.un.org/sustainabledevelopment/sustainable-development-goals for more details on the Sustainable Development Goals.

Engagement

MSIM believes ESG related engagement, when effective, is mutually beneficial as it enables companies/issuers to explain how their approach to sustainability relates to their broader business strategy and allows investors to work closely with companies/issuers on specific ESG issues which they believe pose a downside risk and/or opportunity to the business. To that end, when MSIM investment teams identify potentially financially material ESG-related or other issues impacting companies/issuers in which we hold positions, we seek to proactively engage in active dialogue with companies/issuers where possible and the results of such interactions in turn inform our investment processes.

On the public markets side, MSIM's investment teams who manage active investment portfolios that consider ESG factors apply an active approach to stewardship. As discussed below, our investment teams exercise proxy voting and other rights as shareholders. Our investment teams also periodically monitor and engage with companies/issuers in the normal course of their investment process and leverage the support of the MSIM Global Stewardship team where needed. MSIM engages with companies across their capital structure, including through our debt holdings, and leverages our Fixed Income platform to engage with bond issuers beyond listed companies, including sovereign states, agencies and private companies. Engagement on ESG issues helps to foster productive dialogue, focusing on sustainability risk management and value-generation opportunities.

On the private markets side, engagement approaches are idiosyncratic to the investment strategy and asset class, differing across equity and credit, real estate, and infrastructure. The ability to influence and engage companies on sustainability-related issues will also be bespoke to the strategy, and level or ownership and control. As well as engaging with portfolio companies, MSIM private markets teams may also engage with other relevant stakeholders, such as other general partners ("GPs") or the private credit and equity side, or property managers and tenants on the real estate side.

Investment teams prioritize their engagements based on a variety of factors including position size, cadence of annual general meetings, headline events, and potential financial materiality of engagement topics. Engagement objectives also differ based on these factors and can range from information gathering to encouraging specific disclosures and improved sustainability and governance practices, such as adopting longer-term vesting schedules or adopting carbon reduction targets, where appropriate.

Proxy Voting

Exercising proxy voting rights on behalf of our clients enables us to encourage portfolio companies to enhance long-term shareholder value and to provide a high standard of transparency such that equity markets can seek to value corporate assets appropriately.

Detailed information regarding proxy voting can be found in the applicable Proxy Voting Policy and Procedures, which address a broad range of issues and provide general voting parameters on proposals that arise most frequently.

Sustainable Investing Capabilities and ESG Tools

Tailored to Clients' Sustainability Preferences and Needs Across Asset Classes

ESG FACTORS CONSIDERATION

- Identify relevant ESG opportunities & risks
- ESG/sustainability risk mitigation
- Consideration of the financial materiality of ESG factors
- Incorporation of ESG factors into research and investment decision-making

SCREENING

Consideration of specific thresholds and/or criteria that do not align with a product or clients' sustainability objectives/values

- Company/Sector/Business Activities Screens
- Norms, Ethical, Faith-Based Screens
- Human Rights Violations
- Other Specific E/S/G Screens and/or Controversies

POSITIVE INCLUSION, INTENTIONALITY & VALUE CREATION

An intentional and binding objective to contribute to measurable environmental or social benefit and/or value

- Principles, or Framework-based
- Proprietary Scorecard Methodology
- Clients' Sustainability Objectives/Preferences
- Impact (E/S)

ENGAGEMENT & STEWARDSHIP

- Proxy Voting
- Direct Company Engagement
- Policy/Regulatory Advocacy
- Knowledge-Sharing / Trainings

The above are non-exhaustive examples of Sustainable Investing Capabilities and ESG tools deployed by our investment teams. Please refer to governing documents of individual vehicles to understand their binding ESG criteria.

Sustainability Resources & Governance

We view effective management of ESG risks and opportunities as an important component of our business approach as we believe it is fundamental to the long-term success of our organization and our ability to deliver value for our clients. We have governance systems, risk management processes and controls that seek to support the incorporation of sustainability considerations within our business activities.

MSIM ESG Committee

MSIM has established an ESG Committee (the "Committee") co-chaired by the MSIM Head and Chief Investment Officer of the Solutions & Multi-Asset Group and MSIM's Head of Risk Management. The Committee consists of senior representatives from MSIM's Sustainability team, Office of the Chief Operating Officer and other advisory and related functions who oversee and guide MSIM's support for the sustainable investment strategies of each investment business. Key topics overseen by this Committee include: MSIM's ESG-related business goals, development of ESG-related products and solutions, ESG governance framework, ESG-related regulatory and reputational risks, and ESG-related public statements. The Committee is responsible for this Policy, which it reviews periodically and updates as appropriate to ensure that it accurately reflects the philosophy and processes that govern MSIM's sustainable investing approaches.

MSIM Sustainability Team

Led by MSIM's Global Head of Sustainability, the MSIM Sustainability team supports MSIM's collective sustainable-related processes and governance. The MSIM Sustainability team works with Sustainable Investing Team Leads from our investment teams to coordinate global sustainable investing and stewardship initiatives as appropriate. These activities include supporting investment teams in relation to sustainability-related reporting and regulatory disclosure requirements, incorporating ESG factors into their investment approaches, developing ESG-related products and supporting sustainability data utilization, development of tools and sustainability research, as appropriate.

MSIM's Global Stewardship function is part of the MSIM Sustainability team. It supports and helps investment teams coordinate MSIM proxy voting and investee engagement activities.

MSIM Sustainable Investing Team Leads

It is the MSIM investment teams' responsibility to define their approach to consideration of ESG factors. Many of MSIM's investment teams, asset class platforms, and businesses have appointed at least one dedicated Sustainable Investing/ESG specialist to co-ordinate and support the sustainable investing approaches for the relevant team. A key responsibility of these specialists is to work with their respective investment teams to help encourage incorporation of ESG factors where relevant, in line with each team's investment philosophy and strategy. These specialists may support the investment staff in such incorporation of ESG factors in investment processes through research, training, knowledge-sharing, engagement with companies, and representing their asset class/team in relevant ESG-related forums and groups as necessary.

Morgan Stanley Global Sustainability Office

The Morgan Stanley Global Sustainability Office ("GSO") partners with teams across the Firm's three business segments (Institutional Securities Group, Wealth Management, and MSIM) to provide innovative ESG insights, products, and solutions for Morgan Stanley's clients. GSO may advise MSIM on product development and ESG data analysis, may collaborate on thought leadership, and may partner on internal knowledge-sharing and external industry affiliations.

Morgan Stanley Environmental and Social Risk Management Group

The Morgan Stanley Environmental and Social Risk Management Group ("ESRM") provides internal subject matter expertise to MSIM's private markets teams on environmental and social risk, conducts due diligence on relevant transactions, engages with stakeholders, and monitors emerging risks and developments in partnership with the Firm's business units, GSO and other relevant control functions.

Training

We recognize that the impact of ESG factors on our investments and assets and the tools and best practices for assessing those factors are rapidly evolving. As such, we foster a culture of ongoing learning and improvement through our training programs.

Topical training and knowledge-sharing is provided periodically to investment teams and relevant stakeholders on global sustainability regulations and frameworks, client ESG-related stewardship requirements and interests, sustainable investing and engagement trends and best practices, and mitigation of greenwashing risks. These may be facilitated by the MSIM Sustainability team, GSO, ESRM, Legal and Compliance, and both internal and external sustainability subject matter experts. Certain investment teams may arrange for new joiners and existing members within their teams to undergo asset class or team-specific sustainability training.

We continue to invest in our employees' development to help meet our evolving needs and the preferences of our clients.

Reporting & Transparency

We periodically report on our sustainable investing and stewardship activities, including our proxy voting records in accordance with applicable regulations and voluntary commitments. Information about our activities is also included in the Resources section of our MSIM-level Sustainable Investing webpage.

We may also communicate with our clients on the sustainability characteristics of specific portfolios and related metrics as well as engagement and voting reporting through both periodic and tailored reports, depending on the product. We strive for timely responses to other stakeholders that request sustainability information, where disclosure is in line with our confidentiality obligations to our clients. Our individual investment teams may also communicate their ESG efforts through investment forums and thought leadership pieces that describe their strategy-level approach and views on key ESG issues and trends or through strategy-level ESG reporting.

Related Policies & Reports

This Policy operates within a broader Morgan Stanley sustainability infrastructure, aspects of which are detailed in several other external policies, statements, and reports, including, without limitation:

MSIM Fund Management (Ireland) Limited Statement on Principle Adverse Impacts

An annual regulatory disclosure document, outlining how MSIM Fund Management (Ireland) Limited considers relevant principle adverse impacts of its investment decisions on sustainability factors, in accordance with the EU Sustainable Finance Disclosure Regulation ("SFDR") (EU 2019/2088).

MSIM Climate Report

An annual regulatory, climate-related disclosure document reporting how Morgan Stanley Investment Management Limited and other affiliated entities consider climate-related risks and opportunities when managing investments, in-line with the Taskforce for Climate-related Financial Disclosures, as required by the Financial Conduct Authority in the United Kingdom.

MSIM UK Stewardship Code Report

This report sets out how MSIM generally approaches and drives stewardship at both an organisation and investment team level.

Appendix A

EU SFDR Sustainability Risk and Adverse Impacts

Certain affiliate businesses within MSIM are subject to the requirements of the EU Sustainable Finance Disclosure Regulation ("SFDR") (EU 2019/2088) and this appendix sets out information in relation to the integration of sustainability risks and consideration of principle adverse impacts as required under SFDR which may be applicable to those businesses.

Approach to Sustainability Risk

Under the SFDR, sustainability risks are environmental, social or governance events that can pose actual or potential material risks to our investments, at the individual asset and portfolio levels. These risks include, but are not limited to, climate change transition and physical risks; natural resources depletion; waste intensity; labor retention, turnover and unrest; supply chain disruption; corruption and fraud; and human rights violations. MSIM recognizes that the universe of relevant risks may grow and evolve over time as the universe of sustainability factors considered relevant to the investment industry evolves. The materiality of such risks to an individual asset and to a portfolio as a whole depends on industry, country, asset class, and investment approach. Sustainability risks can materialize for assets and investments in a range of ways, for example: impaired or stranded asset values, increased operational costs, unforeseen liabilities and penalties, loss of access to markets/customers, and reputational damage. MSIM investment teams are the first line of defense for identifying, understanding, and mitigating potential sustainability risk in portfolios.

For public markets portfolios, the MSIM Global Risk and Analysis ("GRA") team conducts sustainability investment risk analysis using third party data where relevant. This includes assessments of sustainability risk exposures, controversial business exposures, United Nations Global Compact and other global norms compliance, and climate change and transition risk scenarios. This risk analysis has been developed and delivered independently of the investment teams. The GRA team monitors this information periodically and presents its findings to various risk committees. Periodic portfolio-level risk reports are available upon request to the investment teams to use at their discretion, and GRA may contact portfolio managers to dicuss potential ESG risks, where necessary. Furthermore, as needed and requested, the MSIM Sustainability and GRA teams may collaborate with investment teams to conduct analyses on the sustainability risk of select portfolio themes and companies.

For private markets portfolios, the investment teams are responsible for conducting due diligence, on material issues relating to a proposed investment in line with the Morgan Stanley Environmental and Social Policy Statement ("Policy Statement"), where relevant, which may include, for example, the ongoing monitoring of energy, greenhouse gas, water and waste data and implementation of any asset-relevant initiatives. ESG issues or opportunities are raised and reviewed as part of the Investment Committee process. ESG risks and opportunities are periodically evaluated as part of asset management activities in line with each team's ongoing diligence process. The investment teams also coordinate with ESRM to address any potential environmental and social due diligence considerations that may cause potential issues and/or pose franchise risk to the Firm, as per the Global Environmental and Social Risk Management Policy. This enables potential significant issues to be escalated to the Firm Franchise Committee as relevant. Finally, for our MSIM Infrastructure and Real Estate Investing strategies, our investment teams seek to maintain insurance coverage against liability to third parties and property damage in amounts and on terms that they consider customary and appropriate for their respective businesses.

Accountability and Incentives

Where required by regulation, MSIM's local entities have adopted remuneration policies to promote sound and effective risk management with respect to sustainability risks, and which do not encourage excessive risk-taking with respect to sustainability risks.

Principal Adverse Impacts on Sustainability Factors

Certain business activities of some companies may have some level of adverse impact on broader systemic sustainability factors such as environmental matters, social and employee matters, respect for human rights.

The SFDR has defined a set of metrics for financial market participants to measure and report on principal adverse impacts, covering themes such as greenhouse gas emissions, biodiversity, waste, employee and social matters, and violations of international norms, amongst other topics. These principal adverse impacts may be taken into account for products that fall within scope of this regulation. Where required by regulation, MSIM's local entities have adopted statements outlining whether they do or do not consider principal adverse impacts of investment decisions on sustainability factors.

Where required, MSIM's investment teams determine if and how to consider or prioritise principal adverse impacts, as appropriate for each product, in line with its specific investment policy. We use reasonable efforts to obtain the required data to monitor these potential impacts, and to understand any remediation efforts undertaken by companies. Portfolio managers maintain discretion over the extent to which the outcomes of this due diligence affect ongoing engagement and asset stewardship.

Across products that do take principal adverse impacts into account, the MSIM Sustainability, Portfolio Surveillance and GRA teams monitor and review portfolio holdings for adherence with the relevant commitments and restrictions defined in each product's investment policy.

Additionally, we strive to adhere to several normative business conduct codes and standards. MSIM adopts the principles-based framework for responsible investing as a signatory to the Principles for Responsible Investment ("PRI"). We also adhere to the governance standards and implement the UK Stewardship Code and other relevant regional stewardship codes in our approach to investing and stewardship.

Finally, the collaboration of our private markets investing businesses with ESRM to identify and address potential environmental and social issues, as outlined in the Policy Statement, also supports MSIM's monitoring and mitigation of potential principal adverse impacts.

IMPORTANT INFORMATION

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks, and fees of the Strategy carefully before investing. A minimum asset level is required.

For important information about the investment managers, please refer to Form ADV Part 2.

The views and opinions and/or analysis expressed are those of the author or the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. The views expressed do not reflect the opinions of all investment personnel at MSIM the Firm, and may not be reflected in all the strategies and products that the Firm offers.

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As part of our procedures, MSIM appointed a third party to conduct an assessment of the data collection, processing, calculation and reporting processes used to compile the TCFD metrics. The procedures included enquiries with management teams and walkthroughs of the end to end data collection and reporting systems. The findings were reported to the MSIM ESG Committee and the MSIM Limited Board. The review did not constitute an assurance engagement performed in accordance with any standards applicable to assurance and, as such, no assurance conclusion was expressed.

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SOCIETE GENERALE
Investment Solutions

SUSTAINABILITY RISK POLICY

March 2025

This document is made in compliance with article 3 of EU regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**") and aims at stating how sustainability risks are integrated in investment decision-making and advisory activities ("**Sustainability Risk Policy**") of Société Générale Investment Solutions (Europe)(hereinafter "SG IS Europe").

Sustainability risk is defined as an environmental, social or governance event or situation that, if it occurs, could have a material adverse impact on the value of the investment.

In line with its philosophy of developing and transferring wealth to future generations, SG IS Europe is committed to assessing and taking into account the materiality of sustainability and social responsibility issues in its investment decisions and advisory services, thereby enabling its institutional and private clients to contribute to positive and necessary changes. The objective of this Sustainability Risk Policy is to describe the integration of sustainability risks into **SG IS Europe's portfolio management services and investment advisory activities.**

It is stated that this Sustainability Risk Policy does not apply to derivatives, structured products based on indices and baskets of stocks, as well as currencies and commodities. Furthermore, the activities of SG_IS Europe, as a management company for third parties delegating portfolio management to a portfolio manager outside the Société Générale Group, are not included in the scope of this Sustainability Risk Policy.

In the same way as market risk, counterparty risk or liquidity risk, sustainability risks should be taken into consideration in any investment, such as:

- **transition risks**, resulting from the development of a low-carbon economic model (regulatory and legal risks, technological risks, reputational risks or risks linked to market opportunities),
- **physical risks**, resulting from damage caused by extreme weather and climate events. These can be acute (due to natural events such as fires), or chronic (related to sustained higher temperatures and long-term geographic shifts such as rising sea level). These include heat, cold, drought, tropical cyclones, fires and floods.
- **social and human rights risks**, impacting negatively workers and surrounding communities (forced labour and slavery, child labour, respect for indigenous peoples and their cultural heritage, the right of ownership, discrimination, freedom of association, the health and safety of persons, the decent nature of working conditions, remuneration and social protection, the right to privacy),
- **governance and other ethical risks** (embargoes and sanctions, terrorism, corruption and bribery, resources appropriation, tax evasion, data protection).

These sustainability risks can have a significant negative impact, either real or potential, on the value of an investment. Conversely, an investment decision can have a negative impact on the environment.

Evaluating the interest and/or the intended yield of an investment therefore requires complementing financial data with:

- **Environmental** criteria ("E") including notably the energy and ecological transition and impact on biodiversity ;
- **Social** criteria ("S") concerns in particular the respect for human rights, relationships with employees, civil society, clients, and suppliers.
- **Governance** criteria ("G"), related to the structure of shareholding and the respect of shareholders' rights, the independence of the boards of directors, executive compensation, accounting, and controversies;

(together hereinafter referred to as "ESG" criteria) which are the three pillars of extra-financial analysis used by SG IS Europe for assessing how and to what extent a financial product issuer integrates ESG matters in its strategy and risks policy.

In the framework of its daily activities, SG IS Europe is likely to act as a financial market participant[1] providing portfolio management services, as well as financial advisor[2] providing investment services, within the meaning of SFDR.

1. INTEGRATION OF SUSTAINABILITY RISKS IN PORTFOLIO MANAGEMENT AND INVESTMENT ADVISORY

In the context of portfolio management and investment advisory, the management of sustainability risks covers several types of financial instruments:

- Equities and fixed-income bonds issued by private, semi-public, public, or supranational entities,
- Single-stock or basket of shares structured products, i.e. structured products where the underlying is a single equity or a basket of shares,
- Single share or basket of shares derivatives, i.e. derivatives where the underlying is a single share or a basket of shares,

[1] Within the meaning of Article 2 (1) of the SFDR
[2] Within the meaning of Article 2 (11) of the SFDR

- Private assets, meaning unlisted equities, loans, private credit,
- Investment funds.

1.1 Equities, Corporate fixed-income bonds, single-stock structured products or basket of shares, single share derivative products or basket of shares

General Investment Policy

Investment decisions are based on a 360° approach combining fundamental financial analysis and extra-financial analysis through the consideration of ESG criteria. SG IS Europe has adopted an approach that combines normative and sectoral exclusions with the integration of ESG criteria.

SG IS Europe systematically applies the recommendations of the Société Générale Group and complies with its sectoral policies. Furthermore, SG IS Europe excludes any financial instrument whose issuer has the lowest ESG rating or a very severe ESG controversy.

Exclusions related to Greenhouse gas emissions

<u>Thermal Coal</u>

Société Générale Group has defined a "Thermal Coal Sector Policy" (https://www.societegenerale.com/sites/default/files/documents/RSE/politique-sectorielle-charbon-thermique.pdf).

The entities of the Société Générale Group that manage assets for their own account or on behalf of third parties exclude from their investment universe companies with the following characteristics:

- More than 10% of revenue is related to thermal coal extraction (source: MSCI ESG Manager);
- Members of the energy sector with more than 30% of their electricity production coming from coal (source: MSCI ESG Manager);
- Those developing new thermal coal mines, new coal-fired electricity generation capacity, or new transport projects dedicated to thermal coal (source: Urgewald Global Coal Exit list provided by the NGO Urgewald).

<u>Exclusions related to oil & gas</u>

Following the Net Zero objective by 2050, SG IS Europe excludes from its investment universe oil & gas pure players when more than 90% of their turnover is generated from production or exploration. In addition, SG IS Europe excludes from its investment universe companies whose turnover is more than 10% linked to the exploration and production of unconventional oil & gas : tar sands, oil shale (rich deposits in kerogen), shale gas, shale oil, coal gas, coal bed methane as well as production in the onshore or offshore Arctic(source: MSCI ESG Manager).

Exclusions related to controversial arms

Société Générale Group has also defined a "Defense and Security Sector Policy" (https://www.societegenerale.com/sites/default/files/documents/RSE/politique-sectorielle-defense-et-securite.pdf), which prohibits knowingly financing transactions and investing in companies linked to prohibited or controversial weapons (such as anti-personnel mines, cluster bombs or their key components, depleted uranium munitions, as well as biological, chemical, or radiological weapons), referred to as "directly excluded entities," as well as any company with close capital ties to the "directly excluded entities", namely: any company directly or indirectly owned 50% or more by a "directly excluded entity" and/or any company directly holding 50% or more of the capital of a "directly excluded entity."

This exclusion is applied across the entire investment universe of SG IS Europe and is ensured by the exclusion of companies included in the Société Générale Group's Environmental and Social exclusion list.

Financial products labelled by LuxFLAG also exclude companies linked to nuclear weapons.

Exclusions related to tobacco

The Société Générale Group has defined a policy regarding tobacco-producing companies (https://www.societegenerale.com/sites/default/files/documents/RSE/politique-sectorielle-tabac-fr.pdf). In 2022, SG IS Europe signed the Tobacco-Free Finance Pledge and committed to gradually exiting the tobacco sector. In this context, all tobacco producers (e-cigarettes and new generation tobacco/nicotine products) as well as companies providing related products and services (filters, smoking rooms, etc.) are excluded from the investment universe from the first euro of revenue. Additionally, suppliers and distributors with an exposure of 15% or more of their revenue are also excluded (Source: MSCI ESG Manager).

Exclusions related to palm oil

In line with the Société Générale Group's "Palm Oil" sector policy (https://www.societegenerale.com/sites/default/files/documents/RSE/politique-sectorielle-agriculture-industrielle-et-exploitation-forestiere.pdf) and its signing of the Finance for Biodiversity Pledge, SG IS Europe excludes from its investment universe producers and distributors (i.e., mills, traders, and refiners) of palm oil from the first euro of revenue generated from this activity, except for palm oil producers certified by the Roundtable on Sustainable Palm Oil (RSPO) with a certification level of at least 70% and a commitment to reach 100% before 2030 (source: MSCI ESG Manager).

Exclusion of issuers from sanctioned jurisdictions

International sanctions are regulatory obligations issued by the Competent Authorities listed below. These sanctions aim to restrict all or part of the activities in designated countries, regimes, entities, or persons or to prevent targeted persons, entities or countries from using their funds and to access the financial system, depending on the type of international sanctions applicable. Société Générale Group has established a particularly robust framework for managing its activities in compliance with these international sanctions and applies a zero-tolerance policy for the risks of violations of these international sanctions.

Thus, SG IS Europe excludes from its investment universe all issuers from countries subject to economic or financial sanctions, trade embargoes or similar measures adopted, applied, or implemented by one of the following Competent Authorities (or by one of their bodies):

- United Nations Security Council,
- European Union,
- France,
- United States of America,
- GAFI or,
- any local Competent Authority in charge of legally enforceable sanction measures.

Controversies exclusion filter

SG IS Europe does not make any investment in companies whose ESG controversy rating is considered very severe ("red controversy" according to the MSCI nomenclature)

→ ***What is an ESG controversy?*** *An ESG controversy may be defined as an incident or an ongoing situation in which a company faces allegations of negatively impacting stakeholders (i.e.: workers, communities, the environment, shareholders, or society at large), via some type of wrongdoing across several ESG indicators.*

The controversy indicator is also a warning measure of the reputational and operational risks to which companies are exposed when they directly or indirectly contravene the 10 principles of the United Nations Global Compact in the field of human rights, international labor standards, the environment and the fight against corruption. A very severe controversy can ultimately result in heavy financial penalties. The aim of ESG Controversies research is to assess the severity of the negative impact of each event or situation on the investment, rather than the extent of negative press attention or public opinion.

ESG integration based on extra-financial analysis

SG IS Europe is committed to considering ESG factors by using the extra-financial research of its provider MSCI. SG IS Europe systematically incorporates ESG ratings into its investment management process and at a minimum, excludes any investment in companies with the lowest ESG rating ("CCC" or “B”).

The instrument selection policy focuses on prioritizing issuers with the best practices or demonstrating the best improvements relative to ESG criteria within their sector.

→ ***What is the ESG rating?*** *SG IS Europe has access to the ESG analysis of issuers covered by MSCI through an internal tool. This analysis provides an assessment of companies' positioning in relation to sustainable development issues by assigning a rating to the three ESG pillars and then an overall aggregated ESG rating. The purpose of this rating is to identify the companies that best succeed, on the one hand, in limiting the ESG risks they face and, on the other hand, in seizing opportunities related to sustainable development.*

Each analyzed company receives an ESG rating on a scale from AAA to CCC (CCC being the worst).

1.2 Private Assets

General Investment Policy

The “Private Assets” category includes investments held directly in equity or debt of companies or unlisted assets. The investment principles described below apply to all strategies managed directly or indirectly by SG IS Europe or in the case of portfolio management delegation to an entity of the Société Générale Group.

The ESG characteristics of private assets are evaluated throughout the investment process: first during the pre-investment phase and then continuously during the holding phase.

The manager relies on the exclusion policy supplemented by the ESG integration policy. Each asset is analysed from the perspective of its extra-financial performance and undergoes an ESG evaluation. An asset that does not comply with the exclusion policy or does not demonstrate a sufficient level of ESG risk management cannot be subject to investment.

Exclusion policy

In addition to the sector exclusions described above (see paragraph 1.1), additional exclusions are implemented for these types of assets, in connection with Société Générale's sector policies (see: Document Base - Société Générale). The details of specific exclusions applicable to these assets are described in detail in the relevant fund's prospectus.

Exclusions regarding biodiversity protection

No investment is possible in companies whose underlying activities:

- are located in a UNESCO World Heritage site, a Ramsar site, a site benefiting from national protection according to IUCN categories I-IV, or a site of the Alliance for Zero Extinction.
- have a material negative impact on the Outstanding Universal Value of a UNESCO World Heritage site.

ESG integration based on extra-financial analysis

Each investment undergoes an ESG analysis during the pre-investment due diligence phase. This study includes a risk and impact analysis. The relevant elements may vary depending on economic sectors, geographical locations, and the types of activities of the company or project involved in the investment, as well as the weights associated with each ESG risk factor, which also depend on the nature of the investment (control operation, minority stake, credit, or debt operation). When necessary, the manager may conduct in-depth due diligence, utilizing internal or external expertise.

The result of this analysis is an integral part of the investment file.

During the holding phase, the ESG characteristics of the investments are subject to regular monitoring, at a minimum, on an annual basis.

When evaluating an investment for disposal, the Fund Manager will consider a variety of factors including, as applicable and without limitation: ESG-related provisions in any client documents that might require divestiture (such as violation of an eligibility criteria or concentration limitation); potential value creation (or destruction) derived from relevant ESG considerations.

1.3 Investment funds (UCITS, AIF)

SG IS Europe works in open architecture and therefore selects, in addition to its own investment funds, investment funds managed by third party management companies. The selection process of these funds is particularly based on:

- The analysis of the management company itself, ,
- The analysis of the funds, which consists of the use of their financial data such as the level of assets under management, the history and quality of management and financial performance.

On this basis, a list composed of 150 to 200 investment funds on average is established for the purpose of integrating the SG IS Europe's investment universe.

In addition, an internal methodology for rating the extra-financial data of the investment funds belonging to the this investment universe has been developed. It consists of:

- an ex-ante basis, to evaluate the funds based on criteria such as their ESG investment policy, the ESG standards of the management company, the SFDR classification, and the existence or absence of a sustainability label.an ex-post basis, via the database called MSCI ESG FundMetrics and via EET files, allowing to access fund extra-financial data based on a look-through approach (ratings, controversies, sectorial exclusions, sustainable investments, carbon intensity).

- an ex-post basis, via the database called MSCI ESG FundMetrics, allowing to access fund extra-financial data based on a look-through approach (ratings, controversies, sectorial exclusions) and through EET files.

2. INTEGRATION OF INDICATORS OF IMPACT IN PORTFOLIO MANAGEMENT

Within the framework of funds labeled with ESG Label delivered by LuxFLAG and classified as Article 8 funds under the SFDR Regulation, SG IS Europe commits to using the impact indicators for the three pillars E, S, G and to include them in the monthly reports made available on the site www.investmentsolutions.societegenerale.lu/fr/gamme-moorea-fund/

1.4 Environment

Carbon footprint (in tCO2/€M invested)

As key climate change indicators, Greenhouse gas emissions (GHG) are classified as per the Greenhouse Gas Protocol and are grouped in three categories:

> ***Scope 1 - Direct scope:*** *GHG emissions are those directly occurring from sources that are owned or controlled by the institution.*
>
> ***Scope 2 - Indirect scope****: GHG emissions are indirect emissions generated in the electricity production consumed by the institution.*
>
> ***Scope 3 - Indirect scope****: GHG emissions are all the other indirect emissions that are consequences of the institution's activities, but that occur from sources not owned and controlled by the institution.*

The calculation of the carbon footprint uses MSCI data which are based on declarative or estimated figures from companies. It aims to take into account the GHG emissions of Scope 1 and 2, produced by the companies held in the portfolio. The carbon footprint is a measure of the GHG emissions generated by the companies held in the portfolios via the various financial instruments. It is modelled and related to the amounts invested. Emissions are expressed in carbon dioxide equivalent (CO2e). This indicator measures the portfolio's exposure to carbon-intensive emitters without, however, taking into account all of the emissions induced indirectly by the company, in particular those produced by the use of products and services marketed or by suppliers. For the private assets, these data are obtained on a commercially reasonable basis.

Companies with Carbon Emission Reduction Targets "Science-based targets"

"Science-based targets" provide companies with a clearly defined pathway to sustainable growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions. The targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered "science-based" if they are aligned with the goals of the Paris Agreement—limiting global warming to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C.

1.5 Social

Severe or very severe controversies related to human capital or work rights

SG IS Europe analyzes the share of issuers, weighted by their weight in the portfolio, which have a severe and very severe controversy in terms of human capital and work management. These indicators show whether a company is exposed to reputational and operational risks due to major and/or very important (controversy) breaches with regard to social issues such as the management of Human Capital and labor.

Violations of United Nation Global Compact and OECD Principles

SG IS Europe analyzes the proportion of issuers, weighted by their share within the portfolio, that have a very severe controversy regarding human rights. This indicator helps ensure that companies comply with the key principles set forth by the United Nations concerning Human Rights, particularly regarding freedom of expression, civil liberties, the fight against discrimination, and the respect for minorities and communities.

1.6 Governance

Board gender diversity

SG IS Europe analyzes the rate of feminization of the boards of the companies present in the portfolio. SG IS Europe measures the percentage of women on the boards of invested companies compared to that of companies in the investment universe of each of the funds. For companies with a two-tier board of directors, the calculation is based only on the members of the supervisory board.

Independence of the Board of Directors

SG IS Europe assesses the percentage of independent members on the Board of Directors. The independence of the Board of Directors is fundamental to harmonize the interests of management and investors. This indicator is calculated on weighted average basis.

2. SUSTAINABLE INVESTMENTS

To identify the positive contribution to an environmental and/or social objective, SG IS Europe implements the framework of the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 with a target date for delivery of 2030 and the European Taxonomy. To this end, MSCI has been selected as the data provider to measure companies' alignment with the Sustainable Development Goals (SDGs).

The 17 SDGs aim to foster collaboration within private and public entities to address the global challenges such as poverty, climate change, inequality, or peace and justice. To identify the contribution, positive or negative, to an SDG, the issuer is assessed in terms of his operational and product alignment towards each of the 17 SDGs. Every company may contribute to the goals in a variety of ways (positively and negatively) and across several goals. The operational alignment assesses the extent to which an issuer addresses a specific SDG via its internal policies and practices, targets, performance metrics. The product alignment assesses the net impact of issuer’s products or services to achieve a specific SDG. The data provider MSCI has been selected to measure this companies' alignment with the SDGs.

In order for an investment to be considered sustainable, it must be aligned with at least one SDG without being misaligned with any other SDG, while respecting all the principles of our ESG policy.

Furthermore, SG IS Europe takes into account the alignment of companies with the European Taxonomy

SG IS Europe portfolio managers consider in their portfolio management and advisory in which proportion the investment is sustainable. The products classified as Article 8 or Article 9 within the SFDR regulation are each engaged to invest some part of their assets into sustainable investments. The details about these engagements can be found in “pre-contractual disclosures” for each product or in “Website disclosure” SFDR documentation.

3. INTEGRATION OF PRINCIPAL ADVERSE IMPACT INDICATORS

SG IS Europe assesses, integrates and manages the main negative impacts of these investment or advisory decisions on sustainability factors. The sustainability factors are grouped together on the Environmental (E) and Social (S) themes and more specifically:

- In the field of the environment: greenhouse gas emissions, biodiversity, water, waste management.
- In the social, employment and respect for human rights field: international companies take into account the United Nations Global Compact, pay gaps between men and women, diversity in governance bodies, but also exposure to controversial weapons.

The regulation has identified a list of indicators allowing market players to manage their negative impacts in terms of sustainability. To date, SG IS Europe has adopted a policy of reducing the negative impacts of sustainability in its investment process and incorporates the principal impact indicators to all its portfolio management strategies via exclusions and engagement.

This policy consists in practicing exclusions from the investment universe as described above, except for certain market instruments such as funds managed by external managers, monetary supports, structured products with underlying indices, currencies, and derivatives.

The consideration of negative impact indicators is also complemented by the shareholder engagement approach with companies by SG IS Europe.SG IS Europe

To promote best practices in this area, this engagement policy is based on three axes:

- Target the companies most exposed to the challenges of economic transition and just transition,
- Continuous dialogue on environmental, social and governance (ESG) issues, including through the various collective engagement initiatives,
- Materialize SG IS Europe’s engagement through votes at general meetings.

For more information, the engagement and voting policy is available on the SG IS Europe website (https://investmentsolutions.societegenerale.lu/fr/reglementation/).

SG IS Europe considers the following principal adverse impact indicators:

	PAI	Measurement criteria	Engage-ment	Exclusion	Comment
1	Greenhouse Gas Emissions	Scope 1 GHG emissions	X	X	- Thermal Coal Sector Policy - Net Zero Asset Managers Signatory
		Scope 2 GHG emissions	X	X	
		Scope 3 GHG emissions	X	X	
		Total GHG emissions	X	X	
2	Carbon footprint	Carbon footprint	X	X	
3	GHG intensity of investee companies	GHG intensity of investee companies	X	X	

4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	X	X	
7	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas	X	X	- Palm oil exclusion policy - Biodiversity Pledge Signatory
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	X	X	- Controversies exclusion filter
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	X	X	- Controversies exclusion filter
13	Board gender diversity	Average ratio of female to male board members in investee companies	X		- Engagement policy - Monitoring through the MSCI indicator
14	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	X	X	- Controversial arms exclusion

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December 2010 relating to undertakings for collective investment, as amended, as well as to Chapter 2 of the Luxembourg law of July 12, 2013, relating to alternative investment fund managers, as amended.

Sustainability Risk Policy

February 2025

TAALERI

TAALERI

Basic information of the document

Purpose	To describe Taaleri Plc's ("Taaleri") view on sustainability risks, how they are considered and what risk management measures are applied to them.
Update frequency	According to need (reviewed at least annually)
Approved by and date (original date)	Taaleri Plc's Board of Directors 12 February 2025 (10 March 2021)
Effective from	10 March 2021
Responsible organisation	Group Sustainability
Contact person	Karoliina Laine,Taaleri Plc Sustainability Manager Linda Tierala, Taaleri Plc Director, Investor Relations and Communications
Regulation upon which the procedure is based	Not directly based on regulation but will support response to regulatory frameworks such as ones related to the EU Sustainable Finance and Sustainability Reporting, including EU Sustainable Finance Disclosure Regulation (2019/2088) (SFDR) applicable to some Taaleri entities.

Version history

Approved (date)	Applied as of (date)	Changes made
10 March 2021	10 March 2021	Policy created
17 December 2022	17 December 2022	Update: specification of process descriptions, definition and description of sustainability risks
14 December 2023	14 December 2023	Update: Updated and refined on the basis of the updated strategy, terminology and modus operandi.
12 February 2025	12 February 2025	Update: Updated and refined on the basis of the updated terminology and modus operandi e.g. related to disclosure structure and governance.

Contents

Sustainability risk policy

1. Introduction

1.1. Scope and implementation

The obligations set out in this policy apply to all our activities, unless otherwise indicated and specified.

The policy applies to all Taaleri employees and members of the management and the Board of Directors, as applicable (in line with section *3.3. Roles and responsibilities* below).

Supervisors and sustainability and risk experts support implementing the policy.

1.2. Continuous development and link to other policies

In Taaleri's view, sustainability is an essential factor in the definition and management of the strategy, risk management and the potential for financial returns and value creation. We constantly update our understanding of the sustainability risks associated with our operations and develop our sustainability risk analysis. In addition, we monitor EU regulation on sustainable finance and corporate sustainability, as well as general market developments related to sustainability and best practices and assess how best to integrate sustainability and consideration of sustainability factors into our operations, risk management and disclosures.

This policy is tightly linked to Taaleri's other policies and principles, including Taaleri Plc Sustainability Policy available at www.taaleri.com/en/corporate-responsibility/document-archive.

Taaleri's whistleblowing channel and guidance is available at https://app.falcony.io/taaleri-wb/links/whistleblowing, The Whistleblowing channel can be used to report suspicions of actions that may violate our policy documents, among other concerns.

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2. Sustainability risks and their management

2.1. Terminology definitions and examples of risks

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of the investment (in Taaleri's private asset management business and Group's investment operations and Garantia) or on the value of the insurance liability (in Garantia).[1] Sustainability risks include risks related to climate change and greenwashing.

Climate risks may be divided into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations. Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.[2]

Greenwashing risks may link to a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants.[3]

Other environmental, social and governance event or condition, potentially causing a sustainability risk, may relate to natural or social phenomena and our stakeholders' activities. Such phenomena include environmental degradation, natural disasters, mass immigration/emigration, spread of pandemics, ageing of the population and information security attacks. For example:

- The erosion of biodiversity and depletion of water resources have wide-ranging global impacts, which are reflected in all financial activities, for example in the increase in the price of raw materials and scarcity of inputs, as well as, possibly, in tenser relations between states. The price increases and decreased availability of raw materials, on the other hand, may affect the construction and schedules of investments, as well as the production capacity of the target companies, which may be reflected in the financial profitability of investments.
- Rapid development and tightening of regulation may make it more difficult to find investments in line with our strategy, and require implementing new practices to increase resource efficiency and decrease pollution, thus for example, increase costs,
- Changes in demand and investor preferences may increase investments in controversial industries, cause reputational damage and affect the demand for our fund products.

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[1] Definition in line with the one of the EU's Sustainability-related disclosure in the financial services sector, SFDR, and Solvency II regulations (2019, 2021)

2 Definition in line with the one of Task Force on Climate-related Financial Disclosures, TCFD (2017).

3 Definition in line with the one of European Supervisory Authorities, ESAs (2023).

2.2. Management and disclosure description and examples of practices

Sustainability risks are identified in Taaleri Group's and the businesses' annual or more regular risk analysis and as part of the businesses' daily risk management and sustainability work. Sustainability risk management includes identifying and measuring sustainability risks as part of existing functions and services and new products.

Figures 1 and 2 depict Taaleri's sustainability risk management process at the top level and the key measures related to sustainability risk management.

Measures supporting sustainability risks management include:

- active asset/investment management and ownership
- integrating sustainability in strategic planning, risk management, disclosures, agreements and management of portfolios, projects and partnerships
- continuous monitoring of regulation and stakeholder expectations
- maintaining and developing appropriate procedures, policies, information, knowledge, tools and resources
- carrying out comprehensive ESG due diligence of environmental, social and governance aspects, and other quantitative and qualitative analyses, of new investment products and investee companies
- monitoring and auditing performance
- geographical and technological diversification
- climate targets and actions

Sustainability risks are managed through compliance with relevant international sustainability standards, norms and regulations.

- Sustainability risks are identified by utilizing the list of sustainability matters and indicators defined by the EU (regulations 2023/2772, Appendix A, point AR 16, and 2022/1288 Annex I) as well as other potentially material topics identified by Taaleri or external parties assessing Taaleri or relevant industries.
- Risks are assessed and measured on the basis of the likelihood of their realisation, the magnitude of their economic impact and their reparability. Their numerical evaluation and interaction produce a classification which determines the sustainability risks in the categories.
- Climate risks are assessed using the framework recommended by the TCFD for identifying financial risks of climate change and the IPCC's forward-looking climate scenarios (RCP 2.6.–8.5.). Profoundness and review frequency related to using TCFD and climate scenarios differs between Taaleri entities.
- Precautionary principle is followed, meaning that, if an activity or investment decision might cause serious harm to health or the environment, taking measures to protect the environment or health should not be prevented by the fact that there is no complete scientific certainty about the harm.

Business-specific sustainability risk management (incl. monitoring tools and reporting practices) is described in more detail in Taaleri's business-specific disclosures.

Taaleri Plc includes sustainability risk disclosures in its Annual Report.

Sustainability as part of business strategy

- Sustainability risks and opportunities are an essential part of, for example, fund strategy

Integrated sustainability risk management

- Sustainability risks considered as part of all of the Group's and businesses' processes and investments

Sustainability risks as part of project and portfolio management

- Review, monitoring and management of sustainability risks throughout the life-cycle of the operation, e.g. portfolio and the investment

Partner sustainability risk management

- Sustainability risks assessed throughout the value chain
- Commitment of partners to due diligence obligations and Taaleri's principles

Continuity of sustainability risk management and product life-cycle

- Coverage of risk management processes throughout the life-cycle of funds
- During the divestment phase, we commit to providing the information required by the new owner on sustainability risks and impacts

Figure 1. Sustainability risk management process

1. Planning:

- Identification and documentation of significant sustainability risks
- Data collection, measuring and target-linking sustainability risks
- Risks as part of the strategy, long-term plan and budgeting
- Updating of policies, guidelines and management methods

2. Management:

- Creating an understanding of the sustainability risk situation and processes throughout the value chain
- Collection and monitoring of data and information (incl. PAI indicators)
- Measuring performance against set targets
- Monitoring the implementation of activities and processes, available resources and spent costs
- Tracking reporting requirements

3. Corporate governance:

- Integration of sustainability risks into other policies, processes and risk assessments
- Sustainability due diligence review, audits, risk monitoring, control and adaptation plans
- Processing and documentation of any complaints, errors or development proposals
- Reassessment, monitoring and development of relevant sustainability risks and opportunities in the value chain and engagement of partners, for example through agreements

4. Reporting:

- Regular measuring, monitoring and reporting sustainability risks and impacts
- Monitoring the implementation of activities and processes, available resources and spent costs
- Compliance with reporting requirements

Figure 2. Sustainability risk management measures

3.3. Roles and examples of responsibilities

Taaleri Group's sustainability risk management is defined in line with its overall corporate governance model. Taaleri integrates sustainability risks into its overall risk management, and sustainability governance and management. These are described in Taaleri Plc's Corporate Governance Statement, Annual Report and Sustainability Policy, covering the role of each employee and the Board of Directors. The following supplements that information:

- The Executive Management Team members have split sustainability risk related responsibilities among themselves and have appointed managerial and expert roles and functions to support sustainability risk management.
    - For example, experts in the Group's risk, sustainability and legal functions have a role in ensuring identification, monitoring, controlling and reporting sustainability risks. This includes Group-wide regulatory and best-practice monitoring, knowledge sharing, drafting policies, guidelines and internal and external reports, and implementing them or supporting their implementation.

Taaleri subsidiaries follow a similar approach as the Group, considering characteristics of their governance model and operating environment.

- The funds' investment committees, portfolio managers, analysts and risk management function of alternative investment fund managers are responsible for assessing and managing the sustainability risks of investments.
- The businesses' transaction teams are responsible for the due diligence evaluation of investments' sustainability factors, while risk management personnel serve as a control function for sustainability risk processes.
- Portfolio managers are responsible for adjustment measures for the material sustainability risks identified based on risk surveys. In the investee companies of the funds, the management teams of the companies are responsible for the implementation and resourcing of sustainability risk management processes. Portfolio managers support investee companies in their sustainability work as active owners.
- The responsible persons defined by the businesses are responsible for reporting related to the sustainability risks of the funds as part of the fund reporting.
- Business managers are responsible for the implementation of operations and processes.

SUSTAINABILITY RISK POLICY

Effective as of:	13.06.2024
Approved by:	Board of Directors
Operational applicability:	All Personnel and Clients
Geographic applicability:	Cyprus
Next review date:	13.06.2025
Version:	1

TABLE OF CONTENTS

1. INTRODUCTION AND SCOPE OF SUSTANABILITY RISK POLICY

BOSON ALFA LTD (hereinafter referred to as the «Company» or «we») with its office at 54 Vasileos Georgiou A Str., Galatex Beach Center, Block E2, Office 46, Potamos Germasogeias, 4047, Limassol, Cyprus is the Cyprus Investment Firm («CIF») authorized and regulated by the Cyprus Securities and Exchange Commission «CySEC») with license No.314/16.

Climate change and other sustainability risks can materialize at many levels, from global and regional risks, to entity and product level risks.

For asset managers it is therefore important to carefully assess the financial materiality of sustainability risks, following a proportionate and risk-based approach.

The Company therefore integrates relevant sustainability risks in all aspects of its investment strategies, client solutions and organization. This includes investment analyses and decisions, risk management, product governance & client suitability assessment processes, as well as the organizations governance of these processes.

This document aims to provide a comprehensive overview of Company's sustainability risk integration approach. It is based on underlying policies, procedures and tools, which are outlined in this document.

Our sustainability integration measures comply with relevant provisions of the EU Sustainable Finance Framework, e.g.:

- Information disclosure requirements with respect to sustainability risk integration at entity and product level (Regulation on sustainability-related disclosures in the financial services sector - SFDR).
- Provisions to integrate ESG factors in mandatory client suitability assessment & product governance processes (MIFID II Delegated Regulation).

The CySEC has also stressed the importance of incorporating sustainability risks in investment and risk processes and internal organization of CIFs.

The integration of sustainability risks is however an evolving field. The available data, expertise and tools to identify, measure and mitigate sustainability risks and the related ability to deeper understand and measure sustainability risk will probably increase over time. Therefore, we will regularly review and, where relevant, recalibrate our sustainability risk integration processes to ensure that these remain fully in line with these innovations.

2. SUSTAINABILITY RISKS

Sustainability factors - such as environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters - may have a positive or negative impact on the financial performance of our investments.

While sustainability factors can also have positive impacts (opportunities), the sustainability risks for the purpose of integration are defined as the negative materialization of the factors. Sustainability as a risk factor is relevant to all investments, while sustainability opportunities are typically relevant to the products that have an ESG objective.

For its sustainability risk integration approach the Company applies the legal definition of sustainability risk included in EU Sustainable Finance Disclosure Regulation («SFDR»).

'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 investment.

The definition has two core elements:

(1) an event/condition from the broad ESG spectrum that

(2) could (potentially) cause a material negative impact on the value of the portfolio.

This means that the Company is expected to identify relevant ESG risks and subsequently determine which of them are material in the short, medium and long term with regard to its investment strategies.

2.1. Identification

Sustainability risks can be climate-related, or related to other environmental, social and governance practices. Sustainability risks can be identified across asset classes, sectors and geographies, or on the basis of length and maturity. The Company uses various proprietary and external tools to identify and evaluate sustainability factors and related risks. Our Investment due diligence and Risk management frameworks – which include sophisticated sustainability integration and exclusion approaches - enable the portfolio management and risk management functions to identify and evaluate potential sustainability risks for our investment portfolios. Once identified and evaluated as financially material for an individual investment portfolio, sustainability risks and the mitigation thereof are directly integrated in the related investment and risk management processes.

As the part of annual internal risk appetite review of potential risks the Company runs a holistic materiality analysis at entity level, including sustainability risks, relevant to business activities. This wide risk assessment provides an additional source/double check to the sustainability risk evaluations made by the portfolio management and risk management functions within the Company and is used to confirm that all potential risks have been properly identified and prioritized.

2.2. Climate-related risks

Climate-related risks are the financial risks posed by the exposure to an investment that may potentially contribute to, or be affected by, climate change. Following the adoption of the Paris Agreement, governments are endeavoring to transition to low-carbon and more circular economies on a global scale.

On the European front, the European Green Deal sets out the objective of making Europe the first climate-neutral continent by 2050. EU asset managers are expected to play a key role in this respect, as enshrined in the EU Sustainable Finance Plan.

Transition to a low-carbon and more circular economy entails, beyond opportunities, risks for the regions, industries and companies in which the Company invests, whilst physical damage caused by climate change can have significant impact on those regions, industries and companies as well as the wider financial system.

In order to run climate change scenario analyses and measure climate risk, the Company uses (forward looking) scenario analysis which provides a likely impact on the return of portfolios holdings.

2.3. Other sustainability risks

Risks related to climate-related factors are therefore well-known, however, our sustainability risk identification and prioritization assessments are not solely restricted to climate issues. Other environmental factors (such as air pollution, water pollution, scarcity of fresh water, biodiversity loss and deforestation), social issues and governance practices may also present serious risks to the value of our portfolio investments and are therefore also considered.

The loss of biodiversity for example could have the same kind of material financial impact on an investment. Biodiversity loss is a material (physical) risk with a potentially significant impact in that it threatens the ecosystem on which numerous economic activities depend. Investment funds and discretionary mandates may run risks through their investments in companies whose supply chains are exposed to high biodiversity risks.

Environmental and social risks are closely interrelated. The continuous deterioration of environmental conditions implies heightened social risks, such as when climate-related physical changes or water stress affect deprived parts of a geographical area and already disadvantaged populations. Reputational impacts are then also possible. Poor governance practices and/ or significant social issues may also have material financial impact on portfolio investments if the probability of their occurrence is not sufficiently priced into the valuation of the affected assets or liabilities.

Therefore, the Company’s sustainability risk identification covers a broad range of ESG factors, including (but not limited to):

Key sustainability factors

Environmental	Social	Governance
Climate change vulnerability	Compliance with recognized labor standards (e.g. no child labor)	Risk and Business Continuity management
Carbon pricing	Compliance with employment safety and health protection	Integrity and ethical behavior
Biodiversity	Fair working conditions, diversity, training and development opportunities	Information security and data protection
Water stress	Product safety and customer welfare	Board composition and remuneration
Droughts	Health & wellbeing of society (infectious diseases, tobacco, weapons, human rights, political instability)	Regulatory and Tax Compliance

2.4. Sustainability risk characteristics

The relevance of a sustainability risk type for a portfolio depends on both the investment strategy and the risk type characteristics. Some sustainability risks may potentially have a negative impact on all investment strategies, while others may only affect specific companies or sectors. The time horizon, likelihood of occurrence, likely impact and ability to control some sustainability risks are often uncertain. Sustainability risks may become relevant and lead to pressure for action in the short term, as well as over the medium and long-term; and physical and transition risks are interdependent (e.g. the longer society waits to reduce its greenhouse gas emissions, the worse the physical consequences of climate change could be).

2.5. Relation with established risk categories

Sustainability risks are often related to and may have an impact on other risk categories, or may be a factor to their materiality. Examples of the relation of sustainability risks with established risk categories include:

- Credit risk/counterparty default risk: The business model of an issuer of an investment grade bond may be severely damaged by transition risk (such as an unexpected CO2 Tax).
- Market risk: An investee company that does not demonstrate management for transition towards a sustainable economy may lose value due to a decline in market sentiment (reflecting transition cost expectations).
- Liquidity risk: If climate-related and environmental risks materialize (e.g. natural disaster) we may experience substantial outflows and/or a liquidity mismatch related to the financially material impact of physical risks on our operations in one or more relevant markets.
- Operational risk: events like extreme weather conditions and epidemic diseases may impact our operations in one or more regions.
- Reputational risk: A key objective of the Sustainable Finance Framework is to counter greenwashing (i.e. marketing a product as sustainable while this is not justified). It is noted that in future Sustainable Finance supervisory activities attention will be paid to how financial parties manage the risk of greenwashing.
- Data availability risk: sustainability risk integration underscores the need for reliable and high quality ESG information. ESMA has acknowledged that there are operational challenges involved with «getting reliable data on sustainability risks and factors». The ECB has highlighted this as an impediment to the consistent use of ESG data by market participants and stresses that unreliable ESG data and ratings limit users in their capacity to conduct granular financial risk analyses.

The Company acknowledges the relation of sustainability risks with established risk categories and therefore holds an integrated view on sustainability risk management and incorporates sustainability risks as drivers of aforementioned established risk categories into existing risk management framework, with a view to managing and monitoring these risks over a sufficiently long-term horizon.

3. INTERNAL SUSTAINABILITY RISK GOVERNANCE

3.1. Board of Directors

The Company's Board of Directors bears overall responsibility for monitoring and implementation of the business, risk strategy and governance arrangements. Collectively the members of the Board are equipped with sufficient knowledge to ensure that sound and well-informed decisions are taken.

The Company's Sustainability Risk Policy describes how sustainability risks are measured and what kind of monitoring activities are performed. The Sustainability Risk Policy is approved and evaluated by the Board of Directors.

3.2. Portfolio management function

Portfolio management department acts as the first line of defense and has the primary responsibility for managing the risks generated by the investment activities throughout the lifetime of portfolio. This principle is equally important for the integration of risks stemming from sustainability factors. The Company has incorporated the sustainability aspects of the investments into adequate investment due diligence process and procedures for the selection and monitoring of investments, taking into account the Company's risk appetite and Sustainability Risk Policy.

3.3. Risk management function

The Company's risk management function is responsible for ensuring the proper risk controls, also in relation to sustainability related risks. Operating in the second line of functions, independent from the portfolio management, the measurement and monitoring of sustainability risks and setting relevant limits by the risk management function aims to ensure that the material impact of sustainability risks is accounted for in the investment decision-making process (active feedback loop) and overall minimize the investments exposure to sustainability risks.

The Risk Management function is also responsible for sustainability in the Company's risk management framework. The Risk Management function incorporates sustainability risks in Internal Capital Adequacy Assessment Process (ICAAP) framework (which will be replaced by Internal Capital and Risk Assessment (ICARA) after 26.06.2021 to the extent these risks may transmit prudential risks at entity level.

3.4. Compliance function

The Company's Compliance function contributes to the risk management framework and monitors the alignment of business activities with regulatory requirements, including sustainability regulatory aspects and own internal policies with sustainability elements (e.g. product governance policies, conflict of interest policies and client suitability assessment procedures). The Compliance function plays a key role in the review of products (investment strategies), e.g. products promoting environmental or social characteristics with sustainable investment objectives. Part of the review is verifying whether the Company remains consistent with any ESG preferences (where relevant) of the target market.

3.5. Internal Audit function

The Company's Internal audit function addresses the appropriate handling of sustainability risks as part of its audit activities. In particular, Internal Audit may include an assessment of the appropriateness and effectiveness of the revised operational, risk management and governance structure as a result of the integration of sustainability risks.

4. INVESTMENT DUE DILIGENCE

4.1. Sustainability-themed Investing

Sustainable investment is an 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 labor 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.

The Company offers its clients a selection of active investment strategies, covering a broad range of asset classes. In the meantime the Company doesn't currently offer any strategies with ESG objectives as the main investment concept. However the Client's ESG preferences are assessed through suitability testing and the Clients are duly informed on the content of the present Suitability Risk Policy and all related matters.

4.2. Investment Due Diligence process and procedure

Our Investment Due Diligence process sets out how it is ensured that investment decisions are carried out in compliance with the objectives, the investment strategy and, where applicable, the risk limits of the portfolio. Material sustainability risks related to the investment strategies are integrated in these process and procedure for the selection and monitoring of investments. We have integrated sustainability risks in the investment decision-making process in the belief that this leads to better-informed investment decisions and better risk-adjusted returns throughout an economic cycle.

Portfolio management function is primarily responsible for conducting investment due diligence on their strategies on a regular basis with further monitoring by Investment Committee. The investment due diligence process is reviewed in case of material changes, at least on an annual basis, and approved by the Investment Committee.

4.3. ESG Analysis and Investment Restrictions

Each portfolio conforms to a series of internal guidelines and restrictions to promote diversification and minimize material risk, including risk stemming from sustainability factors, while facilitating the actively managed nature of the portfolio. These portfolio and investment guidelines are monitored by the portfolio management function on a regular basis. ESG analysis determines which long-term economic, social or environmental factors are likely to have significant business impact on a Company's business value derivers of growth, costs, risk and ultimately, future financial performance.

Our equity strategies restrict investments in companies exposed to the following controversial sectors of business practices: military contracting, weapons, tobacco, alcohol, gambling, adult entertainment. In addition we follow applicable sanctions of the UN, ES or US to which it is the subject and follow any mandatory investment restrictions deriving therefrom. For emerging market financial instruments the country sustainability ranking can be used to determine the country risk. For fixed income instruments ESG profile is now one of the five main the following components that is taken into account along with the business position, strategy, corporate structure and financial position of the issuer that may affect the performance of the investments. In line with restrictions applied with regards to equity the bonds issued by controversial countries or issues can be subject to investment restrictions.

4.4. Principal Adverse Impact

Principal adverse sustainability impacts («PASI») are not considered when providing investment services to clients and the investments underlying distributed financial products currently do not take into account the EU criteria for environmentally sustainable investments as the data needed for this purpose is not available in the required quality and granularity. However this will be reviewed on a regular basis on order to develop respective internal policies and to include the principal adverse impacts in the provision of investment services. At the same time, as described above, the sustainability risk factors are taken into account when making investment decisions.

5. RISK MANAGEMENT FRAMEWORK

5.1. Independent Monitoring of Sustainability Risk

While portfolio management function is responsible for regular monitoring of the portfolios, including any sustainability risk, the risk management function performs an independent monitoring function, overseeing market and any risks, including sustainability risk and applying stress tests to capture potential extreme losses.

Sustainability risk monitoring is largely based on the same governance structure as other risks monitoring. Risk management function should ensure portfolio compliance with its sustainability limits and thresholds and increase the sustainability risk awareness over the investment chain. This is reached by the following:

- Sustainability investment restrictions
- Sustainability investment objectives
- Sustainability risk analyses and awareness

If sustainability targets and controls defined in investment strategy then it is directly monitored by the risk management function, in other cases basic principles of risk management apply.

When the set threshold is reached or a limit is breached the portfolio manager will be informed and will be asked to adjust the portfolio and get back within limits or explain why the adjustment is impossible at the moment. These comments are discussed and the findings are reported in Risk Manager's Report to the Board of Directors.

5.2. Sustainability Risk Profiles

Each strategy is categorized in low, medium or high sustainability risk. The assessment is based on the investment objectives of the strategy and corresponding data. Based on the strategy commitment to sustainability risk limits and thresholds are determined.

For strategies with no sustainability objectives risk profile is considered as low.

6. COMPLIANCE PROCEDURES

6.1. Product Governance

The MiFID Product governance requirements aim to prevent misselling of financial products and other product issues from occurring, and to improve the quality of investment products through their lifecycle. A key element is that product manufacturers are responsible to determine the right target market for the product and to ensure that products do not (structurally) end up outside the target market.

The following actions have been taken to ensure that our portfolio management services are fully offered in the interest of clients and that sustainability factors are taken into account in the target market assessment: Company's Product Governance Policy and Product Description Forms are modified to safeguard that any relevant specific ESG preferences are taken into account when identifying or reviewing the suitability of a product or portfolio management service for that specific target market.

6.2. Suitability Assessment

For our portfolio management services and, where relevant, investment advice as investment services, the Company performs a MiFID client suitability assessment to obtain information on the client (potential client) financial information, its investment objectives, and issues related to risk, i.e. the client's risk tolerance (attitude to investment).

To incorporate sustainability factors, we have modified the suitability assessment procedure and processes (e.g. Suitability Assessment Form). As of March 2021, the Company will ask potential and existing clients questions to identify the client's sustainability preferences as part of the mandatory suitability assessment which is updated annually.

Based on the obtained Client information, the Company selects and tailors its recommended mandate services and/or financial products, taking into account costs, the identified financial objectives, risk tolerance as well as any sustainability preferences of the Client.

For Clients that have expressed sustainability preferences, the Company will only consider eligible financial products based on Sustainability Investment Objective strategies or ESG Promoting strategies.

The following is taken into account when assessing suitability from ESG objective:

- Explaining E, S and G and the scope of the suitability exercise to clients in plain language;
- Identifying ESG issues that are material to offered investment services/products;
- Obtaining clients' preferences at a suitably granular level, differentiating between the respective E, S and G factors, highlighting any tensions or contradictions between these, and explaining the consequences on risk and return of favoring one or more over others;
- Ensuring that investments and advice are suitable overall, such that ESG preferences are appropriately combined with Clients' existing requirements in areas such as liquidity, expected expenditure and risk profile;
- Following up explicitly with Clients to clarify their preferences if their ESG responses contradict their existing profiles; for example, if they are open to materially higher risk or lower returns when it comes to sustainability investments, as compared to their existing investment requirements;
- Obtaining a full understanding of Clients' preferred ESG strategy e.g. whether they prefer only divestment from non ESG compliant financial instruments or if they would like to invest actively in certain ESG compliant financial instruments or whether they prefer investing in financial instruments that are currently non-compliant but are investing in sustainable operations, etc.
- Reducing regulatory risk, including any mis-perception of greenwashing

6.3. Remuneration Policy

The Company's Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk taking which exceeds the risk profile of the managed portfolios. We also consider appropriate incentives-based mechanism vital to support the achievement of investment performance goals within appropriate risk culture and to account relevant sustainability risks. The remuneration policy provides right incentives for portfolio management and risk management stuff members to take their decisions with the sustainability considerations related to investment strategies and also facilitate the implementation of relevant risk-related factors consistent with the Company's Sustainability Risk Policy.

6.4. Conflicts of Interest

Preventing and controlling conflicts of interest is an important element in ensuring that the interest of Clients is protected. Based on Company's Conflict of Interest Policy, potential conflicts of interest are structurally analyzed and additional measures are taken in case it is concluded that a (potential) conflict of interest is not being managed effectively. We have modified our Conflict of Interest Policy to ensure that the inclusion of ESG factors in our discretionary portfolio management, investment advice and other services does not damage the interest of any clients.

Clients' interests could be harmed for instance if ESG considerations are misused as an excuse to sell proprietary products or more costly products, or to generate unnecessary churning of Clients' portfolios, or by firms misrepresenting products or strategies as fulfilling ESG preferences where they do not.

7. DISCLOSURES AND REPORTING

The Company's reports make disclosures on the integration of sustainability risks both at entity level and at product level, at regular intervals. Relevant sustainability risk information is also included.

7.1. Internal Reporting

The identified and evaluated sustainability risks for our investment strategies and from prudential point of view are integrated within the framework of internal risk reporting, as part of existing reporting channels. The typical characteristics of sustainability risks, e.g., a medium to long-term horizon, are taken into account.

7.2. Reporting to Supervisory Authorities

The Company reports on Sustainable Investments to CySEC as the part or Quarterly Statistics Form.

7.3. Disclosures at Company & Product Level

Sustainability Risk Policy is publicly available on the Company's website **www.bosonalfa.com** as well as amended Product Governance Policy, Conflicts of Interest Policy and Risk Disclosure Booklet. Through these documents the Company discloses how it integrates sustainability risks in its investment decisions and distributed products.

8. MONITORING AND REVIEW

The Board of Directors of the Company is responsible for setting written rules and for the existence of adequate controls and appropriate procedures for the provision of investment and/or ancillary services, as well as for the supervision of the implementation of this Sustainability Risk Policy.

The present Sustainability Risk Policy is revised on an annual basis or more often when appropriate, in order to include the changes into the current regulatory and statutory requirements, as well as the changes on Company's strategic objectives or on the internal (operational – business) and external (market) environment and whenever a material change occurs and affects The Company's ability to act honestly, fairly and professionally in accordance with the best interests of its Clients.

The directors, executive staff members and personnel of the Company are responsible for the sound implementation of this document.

The existing and potential Clients will be notified of any material changes or amendments to this Sustainability Risk Policy which may be made from time to time.

OP

Oldfield Partners

SUSTAINABILITY RISK POLICY

1. Introduction

This policy, which is required pursuant to the EU Sustainable Finance Disclosure Regulation ("**SFDR**"), relates to the integration of Sustainability Risks (as defined below) in the investment decision-making processes of Oldfield Partners LLP ("**Oldfield**"). The purpose of this policy is to describe how Oldfield integrates Sustainability Risks in its investment decision-making process in respect of the EU domiciled collective schemes under its management (each, a "**Fund**").

"**Sustainability Risk(s)**" means an environmental, social or governance ("**ESG**") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

2. Disclosure on integration of Sustainability Risk into investment decision-making process

Oldfield considers it an important part of its analysis to assess ESG factors. This analysis of ESG factors forms part of Oldfield's risk assessment of the business fundamentals of investee companies. Oldfield has determined that not taking into account ESG factors may lead to an incomplete understanding of the risks to an investment case and may result in a potential material negative impact on the value of an investment of a Fund. Oldfield believes that successful integration of ESG factors in its investment process can contribute positively to the risk-adjusted returns achieved by the investments made on a Fund's behalf.

As a result of the analysis of ESG factors as part of its investment process, Oldfield may identify companies where there are governance concerns. Oldfield may seek to avoid investment in these companies, unless it is clear that any shortcomings have been addressed, on the basis that the governance concerns may result in a potential material negative impact on the value of an investment of a Fund. All key investment research has a dedicated ESG section where investment analysts identify those ESG factors most material to the investment thesis. This will be debated by the investment team.

Oldfield engages with investee companies on material ESG issues where appropriate. While the focus of engagement efforts is on the ESG issues deemed to be most material to the investment thesis, Oldfield monitors new and existing ESG controversies impacting investee companies and assesses whether these issues should be escalated to engagement.

Where applicable to a Fund, a description of the manner in which Sustainability Risks are integrated into the investment decisions of Oldfield are disclosed in the pre-contractual prospectus documents of the relevant Fund(s). While consideration is given to sustainability matters in the investment decision-making process, Oldfield do not place restrictions on the investment universe of the Funds by reference to sustainability factors.

3. **Principal Adverse Impacts**

Principal Adverse Impacts - Entity Level

Oldfield does not currently consider the principal adverse impacts of its investment decisions on sustainability factors within the meaning of SFDR because of the nature, scale and complexity of its activities and the nature of the financial products it makes available. As a financial market participant with less than 500 employees, this is not an obligation of the firm.

Principal Adverse Impacts - Fund Level

In the case of the Overstone Global Equity Fund, however, which is classified as an 'Article 8' financial product, Oldfield considers the principal adverse impacts of its investment decisions on sustainability factors. Principal adverse impacts are the most significant negative impacts of investments on the environment and people. When a financial market participant considers principal adverse impacts, it means that it should seek to reduce the negative impact of the companies they invest in. The prospectus for the Overstone Global Equity Fund outlines this further. With respect to the balance of the Funds, Oldfield does not consider principal adverse impacts of investment decisions on sustainability factors in respect of the relevant Funds at this time.

4. **Transparency of Remuneration Policies in Relation to the Integration of Sustainability Risks**

Oldfield has established, implemented and maintains a remuneration policy which incorporates information on how that policy is consistent with the integration of Sustainability Risks and has published that information on its website.

Sustainability Risk policy:

1. Introduction

This “Sustainability Risk Policy”, is the Group Policy on Sustainability. Invest4Growth Group comprises Invest4Growth Asset Management Ltd, MFP Sicav Plc and I4G Partners BV.

Invest4Growth Asset Management Ltd is a limited liability company with registration number C71649 and licensed by the Maltese regulator MFSA to provide investment services to professional clients. It qualifies as a Financial Market Participant (FMP) under the EU Sustainable Finance Disclosure Regulation (SFDR).

MFP SICAV plc, ‘Malta Fund Partners’, is a self-managed open-ended collective investment scheme organized as a multi-fund public limited liability company with variable share capital registered under the laws of Malta with registration number SV389 and Licensed by the Malta Financial Services Authority in terms of the Investment Services Act (Chapter 370, Laws of Malta). The company qualifies as a UCITS fund in terms of the Investment Services Act Regulations and as an FMP under SFDR.

I4G Partners BV was founded as an independent insurance broker in Belgium with registration number 0849.478.191 and licensed by the Belgian Regulator FSMA. It qualifies as a Financial Adviser (FA) under SFDR.

Within this policy, Invest4Growth means Invest4Growth Group and its different entities comprising Invest4Growth Asset Management Ltd, MFP Sicav Plc and I4G Partners BV.

This policy is publicly available on the Invest4Growth website under the section ‘Sustainability Disclosures’ in accordance with SFDR Article 3.

This Policy contains general principles rather than a complete set of detailed rules that cover all situations. The more detailed rules are, or will be as deemed necessary, described in subordinate internal rules, such as guidelines and standard operating procedures as relevant for each respective Business Area. The policy applies to the Group and covers Invest4Growth’s business activities in all countries where Invest4Growth Group has its operations. All employees of Invest4Growth Group, and non-permanent staff working on behalf of the Group, are subject to this policy.

Invest4Growth’s mission is to offer investment solutions that have a superior return risk balance and sustainability is an important element that impacts financial return and risks of our solutions. Investee companies with sustainable business practices tend to be more successful in the long term.

For Invest4Growth, sustainability also means taking responsibility for the impact Invest4Growth has on the surroundings. It encompasses the ability to be a credible and reliable partner, which acts in the best interest of customers and ethically and responsibly towards society. Human rights, employee rights, environmental responsibility and anticorruption are included in the decision-making processes to contribute to sound financial markets. Sustainability is at the core of the business development, and the way of creating value.

Invest4Growth adheres to the 10 principles of the United Nations Global Compact which are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all forms, including extortion and bribery.

Furthermore, we are committed to the United Nations' 17 Sustainable Development Goals. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. The SDGs are to address all three dimensions of sustainable development (environmental, economic and social) and be coherent with and integrated into the United Nations global development agenda beyond 2015. The envisaged SDGs have a time horizon of 2015 to 2030.

2. Sustainability Risk Management

According to the EU Sustainable Finance Disclosure Regulation (SFDR) a ‘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 investment.
Invest4Growth manages sustainability risks by identifying, monitoring, and mitigating these risks across its business activities.

Principal Adverse Impacts (PAI) – SFDR Article 4
Invest4Growth considers the principal adverse impacts (PAIs) of investment decisions on sustainability factors only within the sub-fund "MFP Raphael’s Flexible Equity Fund," which qualifies as an Article 8 SFDR fund. Outside of this specific sub-fund, Invest4Growth does not currently consider the principal adverse impacts of investment decisions due to data limitations. This position will be reviewed annually in accordance with SFDR Article 4(1)(b).

2.1. Environmental risks

While all environmental risks can be material, we estimate that climate-related risks are extremely material as it affects all ecosystems on earth and by that matter all investee companies as well.
Following the adoption of the Paris Agreement, governments are endeavoring to transition to low-carbon and more circular economies on a global scale. Europe committed itself to become the first continent to reach climate neutrality by 2050. As an EU asset manager, Invest4Growth Asset Management Ltd plays an important role as enshrined in the EU Sustainable Finance Plan.
Invest4Growth considers climate-related risks as financially material for all its investment strategies.

2.2. Social & governance risks

Invest4Growth also assesses social and governance risks of which the main parameters are displayed in the table below.

Environment		Social		Governance	
Climate Change	Carbon emissions	**Human Capital**	Labor Management	**Corporate Governance**	Board
	Product Carbon Footprint		Health & Safety		Pay
	Financing Environmental impact		Human Capital development		Ownership
	Climate change vulnerability		Supply Chain Labor Standards		Accounting
Natural resources	Water stress	**Product Liability**	Product Safety & Quality	**Corporate Behaviour**	Business Ethics
	Biodiversity & Land Use		Chemical Safety		Anti-Competitive Practices
	Raw Material Sourcing		Financial Product Safety		Tax Transparancy
Pollution & Waste	Toxic Emissions & waste		Privacy & Data Security		Corruption & Instability
	Packaging Material & Waste		Responsible Investment		Financial System Instability
	Emectronic Waste		Health & Demographic Risk		
Environmental Opportunitie	Opportunities in Clean Tech	**Stakeholder Opposition**	Controversial Sourcing		
	Opportunities in Green Building	**Social Opportunities**	Access to Communications		
	Opp. In Renewable Energy		Access to Finance		
			Access to Health Care		
			Opp's. in Nutrition & Health		

We point out that sustainability risk integration underscores the need for reliable and high quality ESG information. ESMA has acknowledged that there are operational challenges involved with getting reliable data on sustainability risk and factors. The ECB has highlighted this as an impediment to the consistent use of ESG data by market participants and stresses that unreliable ESG data and ratings limit users in their capacity to conduct granular financial risk analyses.
Invest4Growth believes that the large part of sustainability risks can best be managed by integrating ESG factors in its management and advice.

2.3. ESG integration

Invest4Growth is committed to sustainable business and development by combining financial performance with environmental and social responsibility as well as sound governance practices. The below principles shall be used as a guide on behavior in the daily work and when making business decisions. Invest4Growth shall take these principles and other relevant environmental, social and governance principles into consideration when evaluating business risks and opportunities in connection to financial advice, portfolio management and asset management.
As an asset manager or financial advisor, it is our role to select companies with the best strategic and economic assets to respond to the challenges of the future.

2.4. Financial Advice and portfolio management

- We are committed to enhancing our competence and knowledge regarding environmental, social and governance aspects relevant for advice in relation to our products and services.
- We are committed to improving our advice in a way that enables our customers to make informed decisions on environmental, social and governance aspects relevant in relation to our products and services and to be transparent of such aspects.
- We are committed to increasing the integration of existing and emerging environmental, social and governance aspects relevant when developing advice in relation to products and services.
- We are committed to increasing the integration of existing and emerging environmental, social and governance aspects relevant when managing client portfolios.

2.5. Asset Management

At Invest4Growth group, we are committed to responsible investment (RI, which refers to the integration of environmental, social and governance (ESG) factors into investment decisions with the objective of providing better risk adjusted returns, particularly over the long term.

Our Sustainability Risk Policy outline the philosophy and approach we take to ensure that ESG consideration is embedded throughout the investment process.

ESG factors involve different themes that can have a material impact on the value of companies and securities. These themes are displayed in the graph below and are related to Environmental, Social and Governance factors.

Environment		Social		Governance	
Climate Change	Carbon emissions	**Human Capital**	Labor Management	**Corporate Governance**	Board
	Product Carbon Footprint		Health & Safety		Pay
	Financing Environmental impact		Human Capital development		Ownership
	Climate change vulnerability		Supply Chain Labor Standards		Accounting
Natural resources	Water stress	**Product Liability**	Product Safety & Quality	**Corporate Behaviour**	Business Ethics
	Biodiversity & Land Use		Chemical Safety		Anti-Competitive Practices
	Raw Material Sourcing		Financial Product Safety		Tax Transparancy
Pollution & Waste	Toxic Emissions & waste		Privacy & Data Security		Corruption & Instability
	Packaging Material & Waste		Responsible Investment		Financial System Instability
	Emectronic Waste		Health & Demographic Risk		
Environmental Opportunitie	Opportunities in Clean Tech	**Stakeholder Opposition**	Controversial Sourcing		
	Opportunities in Green Building	**Social Opportunities**	Access to Communications		
	Opp. In Renewable Energy		Access to Finance		
			Access to Health Care		
			Opp's. in Nutrition & Health		

Examples of ESG factors include the use of natural resources, corporate behavior, product safety, employee health and safety practices, and shareholder rights issues. Invest4Growth Group believes these issues should be considered alongside traditional financial measures to provide a more comprehensive view of the value, risk and return potential of an investment. With this understanding, we are committed to the integration of ESG consideration into our investment management processes and ownership practices.

Even though assets are managed with different strategies and investment objectives, there is a companywide philosophy that companies that act in a sustainable way towards the environment, society and all its stakeholders are likely to be more able to deal with a variety of issues in the future of their business or endeavors. Nevertheless, we consider that in some strategies, we are not able to measure and monitor adequately the different ESG parameters and the adverse impact on sustainability. Furthermore, we currently have a limited offer of strategies.

2.5.1. Equities:

Invest4Growth offers an equity investment strategy to its clients both through MFP Raphael's Flexible Equity fund (UCITS) as well as through direct equities. ESG factors are binding elements in our investment process. Sustainability indicators used include GHG emissions (Scope 1, 2, 3), energy efficiency, water/waste management, and SDG alignment. Data sources include MSCI ESG Research, company disclosures, and third-party data providers. ESG performance is assessed periodically, and investments with poor ESG scores may be divested.

Within the security selection process, Invest4Growth applies generally accepted strategies for the implementation of the ESG approach. The ESG performance of a company is evaluated independently from financial success based on a variety of indicators, which consider ecological and social objectives as well as corporate governance. For the assessment, transparency as well as the product and service range of a company will be taken into consideration. Invest4Growth's approach is to be a long-term investor in its chosen stocks. It will not adopt short-term trading strategies. The investment process comprises two different sets of selection criteria:
1) The first selection process will follow stringent investment criteria in selecting securities for the Sub-fund's investment portfolio. These criteria aim to ensure that the Sub-fund invests in high quality companies:
- That realize a high and sustainable return on operating capital employed;
- That realize high and sustainable free cash flows;
- Who dispose of competitive advantages which are difficult to replicate;
- Which do not require significant leverage to generate returns;
- With a strong growth profile;
- That are resilient to change, particularly technological innovation;
- Whose valuation is considered by the Sub-fund to be attractive.

In a second phase, the shortlisted equities will be screened on the ESG parameters and final selection will be made in line with the internal ESG policy.
Within this process, Invest4Growth starts with excluding companies involved in controversial products or activities with respect to animal welfare, fossil fuels, producing tobacco or military weapons as well as any company from the gambling sector. With respect to fossil fuels, companies active in coal, tar sands, oil shales, unconventional fossil fuels, deep sea drilling and arctic drilling are excluded.
Then, Invest4Growth considers ESG factors by focusing on the potential impact of ESG issues on company financials.

Environmental issues concern any aspect of a company's activity that affects the environment in a positive or negative manner. Examples include greenhouse gas emissions, renewable energy, energy efficiency, resource depletion, chemical pollution, waste management, water management, impact on biodiversity, etc.

Social issues vary from community-related aspects, such as the improvement of health and education, to workplace-related issues, including the adherence to human rights, non-discrimination and stakeholder engagement. Examples include labour standards (along the supply chain, child labour, forced labour), relations with local communities, talent management, controversial business practices (weapons, conflict zones), health standards, freedom of association, etc.

Governance issues concern the quality of a company's management, culture, risk profile and other characteristics. It includes the board accountability and their dedication towards, and strategic management of, social and environmental performance. Furthermore, it emphasises principles, such as transparent reporting and the realisation of management tasks in a manner that is essentially free of abuse and corruption. Examples include corporate governance issues (executive remuneration, shareholder rights, board structure), bribery, corruption, stakeholder dialogue, lobbying activities, etc.

In order to reduce sustainability risks and enhances a positive impact Invest4Growth also focuses on investee companies which report on the 17 Sustainable Development Goals of the UN.

Upon investment and over the life of the holdings, we assess and monitor indicators that are deemed to indicate the presence of a principal adverse impact as per EU law, as far as we are able to collect data. We address adverse impacts by reducing or completely sell the exposure to investee companies which score below average on the principal adverse impact indicators, and which don't manage to improve on these indicators. When the AUM's of Invest4Growth will increase, we intend to delegate voting rights to proxy voting companies.

2.5.2. Alternative Strategies:

We offer an alternative investments strategy through MFP Best Strategies UCITS fund as well as through a derivatives strategy on broad equity indices.
Within the alternative investments strategy, Invest4Growth currently doesn't consider adverse impacts of investment decisions on sustainability factors. MFP Best Strategies will achieve its investment objective by investing in multiple alternative strategies, where a substantial proportion of the assets can be invested in other UCITS Collective Investment Schemes or directly through proprietary derivatives strategies. Due to a lack of data and look-through on the underlying assets, Invest4Growth is not in a position to monitor and measure adverse impacts of investment decisions on sustainability factors within the sub-fund. Therefore, MFP Best Strategies doesn't claim that this product promotes environmental or social characteristics nor does the Sub-Fund has a sustainable objective.
Thanks to the arrival of the SFDR, the Regulatory Technical Standards (RTS) and the EU Taxonomy, the available data communicated by funds should rapidly increase and enable us to include that data into our due diligence and risk management process.
As far as the derivatives strategy concerns, this is executed exclusively on broad equity indices. Therefore, this strategy doesn't take ESG factors into account.

2.5.3. *Other asset classes and strategies:*

Other asset classes and strategies are offered through Ucits funds from other Asset Managers, including ETF’s.
Within our due diligence process and risk monitoring, we take into account the SFDR classification of the underlying funds. The vast majority of actively managed funds are SFDR Article 8 or 9 funds. However, as we also integrate passively managed funds on indices (ETF’s) into our managed portfolios, most fixed income ETF’s are categorized as Article 6 SFDR funds.

3. International standards and Initiatives:

We are a supporter of the following organizations and initiatives:

- UN Global Compact
- Principles for Responsible Investing (PRI)
- Global Reporting Initiative (GRI)
- Sustainable Accounting Standards Board (SASB) Alliance
- Carbon Disclosure Program (CDP)

4. Data and Methodology Transparency

Invest4Growth sources ESG data from third-party providers such as Bloomberg, MSCI, Sustainalytics, and public company disclosures. Data reliability and consistency are critical and periodically reviewed. ESG integration methodologies include qualitative analysis, exclusion criteria, and ESG scoring frameworks aligned with the SFDR Regulatory Technical Standards.

5. Policy Review and Disclosure

This policy is reviewed annually and updated in accordance with changes in the SFDR regulatory framework. All SFDR-related disclosures are made available via our corporate website.

OCORIAN

SUSTAINABILITY RISK POLICY AS OF APRIL 2025

CONTEXT

1. **INTRODUCTION**

The present document contains a description of the policies of Ocorian Fund Management S.à r.l. (“**Ocorian**” or the “**Company**”) on the integration of sustainability risks in the investment decision-making process in accordance with article 3 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the **“SFDR”**). The present policy is to be seen in the context of Ocorian acting in its capacity as (i) designated management company ("**Management Company**") of undertakings for collective investment in transferable securities ("**UCITS**") and other undertakings for collective investment ("**UCIs**") in accordance with the provisions of Chapter 15 of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended from time to time (the "**UCI Law**") and (ii) alternative investment fund manager ("**AIFM**") pursuant to Chapter 2 of the Law of 12 July 2013 on alternative investment funds managers, as amended from time to time (the "**AIFM Law**") and Directive 2011/61/EU of 8 June 2011 on alternative investment fund managers, as amended from time to time (the "**AIFM Directive**"). The SFDR entered into force on 29 December 2019 and is applicable for most of its provisions from 10 March 2021.

2. **DEFINITION OF SUSTAINABILITY RISK**

In accordance with article 2 No. 22 of the SFDR, sustainability risk is defined as 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 investment (**“Sustainability Risk(s)”**).

ORGANISATION OF THE PORTFOLIO MANAGEMENT FUNCTION

The investment decision-making process of the Company is described in the portfolio management procedure of the Company.

With regard to the organizational set-up of the portfolio management function, it has to be distinguished between two models of portfolio management, the advisory-model and the delegation model. The advisory-model foresees that Ocorian acts as investment fund manager for the funds under management and appoints an investment advisor to benefit from the specific skills of the investment advisor. On the other hand, the delegation model foresees that Ocorian would delegate the portfolio management function to a delegate. As at the date of the present policy, Ocorian has implemented both the advisory-model and the delegation model in its investment decision-making process.

2.1 Ocorian performs the portfolio management function

It is the Company's objective to ensure that the internal policies of the appointed investment advisors with respect to sustainability risks are aligned with those of the Company. In this respect, in the course of the initial as well as the ongoing due diligence exercise, investment advisors are required to disclose to Ocorian, information about how they have integrated the identification, the management and mitigation of sustainability risks in their respective internal processes.

2.2 Ocorian has delegated the portfolio management function

The Company may delegate the portfolio management function to third party portfolio managers. In case of delegation, the external portfolio manager is responsible for the investment decision process and pre-investment checks. The Company is legally required to monitor the quality and compliance of the service of the external portfolio manager on an initial and ongoing basis. In this respect, in the course of the initial as well as the ongoing due diligence exercise, third party portfolio managers are required to disclose to Ocorian, information about how they have integrated the identification, the management and mitigation of sustainability risks in their respective internal processes.

DESCRIPTION OF THE MANNER IN WHICH SUSTAINABILITY RISKS ARE INTEGRATED INTO INVESTMENT DECISIONS

Ocorian is a third party management company providing AIFM and fund administration services to AIF, RAIF, non-AIF and UCITS funds. Our clients are large-scale institutional investors, international fund promoters and investment managers. The business model of Ocorian is to offer investment funds to institutional investors, which frequently also act as the initiators of these investment funds. The idea and concept for the investment funds, especially the investment policy, is determined by these initiators.

Sustainability Risks are considered at various stages of each product's investment process, in respect of each individual investment opportunity.

Where investment decisions are taken by Ocorian, these are based on several factors while always acting in the best interest of the investors. Sustainability Risks are included in the investment decision process together with financial factors, such as risk and valuation metrics, when building and monitoring portfolios.

As an example, when receiving investment proposals submitted by the investment advisor of a (sub-)fund, as part of its due diligence process, Ocorian reviews the proposal to ensure that the proposed investment does not go against principles of good corporate governance (and ESG in general), and has adequately considered Sustainability Risks.

Another example is the review of corporate governance in all underlying structures of a (sub-)fund's investments. Ocorian has put in place certain measures to ensure that underlying entities of a (sub-)fund respect the principles of good corporate governance, such as by (i) ensuring appropriate clauses are included in the relevant agreements between parties, and (ii) implementing an authority matrix to ensure that no actions are being taken with regard to investment decisions, against the agreed process.

Furthermore, as a general control measure, Ocorian and/or the investment advisors respectively delegated portfolio managers perform regular due diligence on all parties involved in the investment operations process.

In case a material Sustainability Risk is identified as part of the due diligence process, the item is flagged at the level of the investment advisor and of the board of managers of Ocorian, when the investment decision for approval by the AIFM. Likewise, in the case of delegated portfolio management decisions, the occurrence of material Sustainability Risks is subject to specific flagging as part of the portfolio manager's reporting to the Company.

PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN ACCORDANCE WITH ART. 7 (2) OF THE SFDR

As per article 7(2) of the SFDR, Ocorian does not currently consider principal adverse impacts of investment decisions on sustainability factors at the entity level, because the nature of our business means that investment decisions are made at product level.

However, as confirmed in the Consolidated Q&A on the SFDR dated 25 July 2024 and published by ESMA, market participants that do not consider adverse impacts of investment decisions on sustainability factors at entity level may, notwithstanding the criteria set out in Article 7(1), first subparagraph of the SFDR, manufacture financial products that pursue a reduction of negative externalities caused by the investments underlying that product – and hence consider sustainability adverse impacts at product level.

In cases where an investment fund managed by Ocorian considers principal adverse impacts individually at the product level, this information is available either as part of the respective annual statements or is separately provided to the investors of such investment fund. In these cases, the assessment of principal adverse impacts is be made jointly by the investment advisor or delegated portfolio manager and Ocorian, taking into consideration the available data.

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DISCLOSURE IN ACCORDANCE WITH ART. 5 OF THE SFDR

In accordance with article 5 of SFDR, Ocorian is required to include in the applicable remuneration policy, information on how the remuneration policy is consistent with the integration of sustainability risks. This information is required to be published on our website.

The remuneration principles of Ocorian do not encourage excessive risk-taking with respect to Sustainability Risks and are linked to risk-adjusted performance (please refer also to the Remuneration Policy published on our website).

CapitalDynamics
TRULY INVESTED.

Responsible Investment Policy

2025

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CapitalDynamics TRULY INVESTED.

Our Investment Beliefs

As a responsible investor, Capital Dynamics is firmly committed to making investments with fund managers, in companies and projects that align with our core Responsible Investment ("RI") values. All investment decisions at the firm are guided by our Responsible Investment policy based on four foundational principles:

Principle 1	Responsible Investment (RI) leads to enhanced long-term financial returns for our investors
Principle 2	The Capital Dynamics investment platform, across all strategies, follows a rigorous approach to RI investment diligence and actively re-underwrites our rating of existing investments
Principle 3	The data identified through our RI investment diligence is tracked and analyzed during the holding period continually to improve our RI process across each of our investment strategies
Principle 4	Capital Dynamics understands the importance of its role as a corporate citizen and prioritizes its commitment to the local communities in which it operates and invests

Capital Dynamics' Responsible Investment Committee

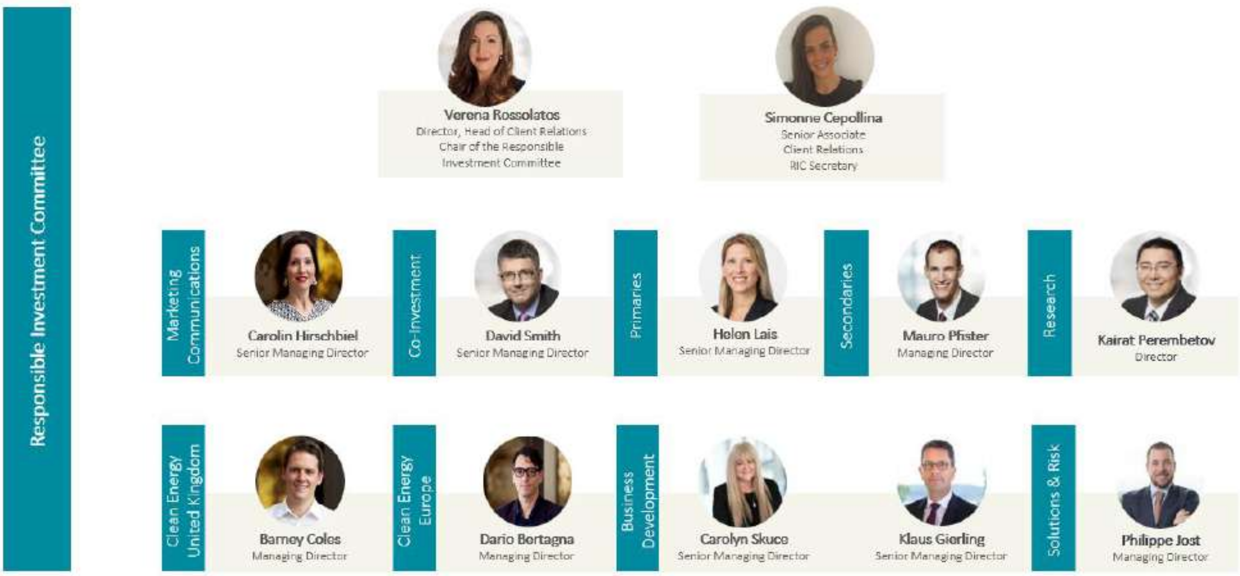
In 2018, we formed the Capital Dynamics Responsible Investment Committee with representation and support from across the leadership of the organization from Private Equity and Clean Energy as well as from central management.

The remit of the committee includes implementing a consistent Responsible Investment framework, oversight over the R-Eye™ rating system coupled with a reporting protocol ensuring that the firm embraces the principles of Responsible Investment as an organization and contributes to the discourse and thought leadership about Responsible Investment in the alternative asset classes.

Our Responsible Investment Committee ("RI Committee") is responsible for:

1. Reviewing the RI policy on an ongoing basis;
2. Making adjustments and additions to the policy as RI-related issues arise; and
3. Ensuring the effective implementation of the policy across our firm's business lines.

The RI Committee reports to the firm's Executive Committee and Risk Committee and its responsibilities are governed by the Responsible Investment Committee Charter.



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1. Responsible Investment Principles and Purpose

Capital Dynamics (the "firm") has a long-standing commitment to corporate responsibility; it is deep-rooted in the firm's DNA. In recognition of the importance of Responsible Investment, each of the firm's business lines (Private Equity and Clean Energy) aims to integrate the United Nations-supported Principles for Responsible Investment ("PRI"), the United Nations Sustainable Development Goals ("SDGs") and other RI factors throughout the investment appraisal, due diligence, decision-making and post-investment monitoring process. Moreover, the firm's proprietary R-Eye™ (inspired by the shape of the human eye) Rating System (with the pupil of the R-Eye™ containing the average score) has furthered the level of transparency offered to clients.

This policy represents our formal overarching Responsible Investment policy, which all business lines are required to follow. Given the breadth of the firm's offerings and their specific governance factors, sub-policies have been developed for each business line, described herein.

Capital Dynamics believes that Responsible Investment leads to enhanced long-term financial returns[1] and a closer alignment of objectives amongst investors, stakeholders and society at large. The firm is truly invested in tracking the impact of RI considerations in an effort to better understand how these factors affect performance over time. While considerable supporting data are available covering the public markets, this is not the case for private markets. Given the "hands on" and long-term nature of the asset classes in which Capital Dynamics participates, the firm believes that the relationship between Responsible Investment and performance may be closer and more pronounced in the private markets. Capital Dynamics expects that by tracking data, the firm will develop a better understanding of this relationship and contribute to the public discourse in this growing sphere of investment activity. Furthermore, Capital Dynamics also understands that RI best practices must extend beyond the investments made on behalf of the firm's clients. Capital Dynamics is truly invested in its role as a global corporate citizen and prioritizes its commitment to the local communities where it operates, invests and works.

[1] *Based on a survey conducted by Capital Dynamics in 2019. 32% of surveyed Private Equity GPs reported incremental growth in EBITDA across portfolios as a result of Responsible Investment implementation.*

2. Our long-standing commitment to Responsible Investment

Capital Dynamics was one of the first signatories to the UN Principles for Responsible Investment (UN PRI) in 2008 and has continuously built out its expertise in Responsible Investment. Each year, the firm participates in the PRI's annual transparency assessment, which is designed to benchmark signatories in regard to their progress and implementation of Responsible Investment principles. It is also a key step in building a common language and industry standard for reporting and Responsible Investment activities. Since 2019 the firm has also participated in the annual GRESB[2] surveys in our European Clean Energy business line.

3. Principles for Responsible Investment ("PRI") and Sustainable Development Goals ("SDGs")

Principles for Responsible Investment

Capital Dynamics has been a signatory of the PRI since 2008. In 2024, Capital Dynamics was once again awarded the highest ranking (5 Stars) by PRI in all reporting modules[3].

As a proud signatory, Capital Dynamics is firmly committed to the six PRI principles:

1. Incorporate ESG issues into investment analysis and decision-making processes
2. Be active owners and incorporate ESG issues into our ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which we invest
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance our effectiveness in implementing the Principles
6. Report on our activities and progress towards implementing the Principles

Sustainable Development Goals

The firm has modeled its proprietary R-Eye™ Rating System based on the United Nations SDGs[4]. Each R-Eye™ scorecard is evaluated based on a subset of the SDG's depending on the underlying investment strategy.

The R-Eye™ scores are then reviewed by the investment teams on at least an annual basis and key RI issues or opportunities are flagged by the respective investment teams, or the Responsible Investment Committee representatives on those investment teams, to either the Chair of the Responsible Investment Committee and/or the full RIC.

[2] *A recognized ESG benchmark for real assets, originally known as the Global Real Estate Sustainability Benchmark, promoted by GRESB B.V.*
[3] *The third-party ratings shown were received by Capital Dynamics in the year indicated, based on activities undertaken in the prior calendar year. Capital Dynamics did not provide any direct compensation in connection with obtaining such third-party ratings, although in certain cases we have paid a fee to become members of an organization, which membership is a precondition to obtaining a rating, or have paid a fee in order to use the issuing organization's logo in our marketing materials.*
[4] *Illustration of Sustainable Development, source: https://www.unpri.org/sdgs/the-sdg-investment-case/303.article accessed: April 1, 2018.*

Capital Dynamics is happy to share previous years' surveys and assessment results with existing or prospective clients and other third parties.

4. Responsible Investment Evaluation

It is core to our fundamental belief that strong RI practices enhance long-term value creation for our clients. Capital Dynamics defines RI evaluation as a process of the identification of potentially material sustainability opportunities and/or risks that could positively or negatively affect an investment made by any business line constituting its private assets platform. The following sub-sections provides examples of RI-related matters that the firm's investment teams typically research as part of their overall investment appraisal and due diligence processes.

Environmental

Investment decisions can have a long-term impact on the environment, the consequences of which may not be immediately visible. Similarly, important environmental matters such as climate change and biodiversity loss can have financial impacts on portfolio companies. Capital Dynamics is committed to managing environmental risks and seek financially attractive opportunities by:

- Identifying and assessing the environmental impact of investments to the degree economically feasible and operationally possible and assessing financially material risks and opportunities posed by environmental factors (such as climate change in line with the TCFD recommendations). The firm will aim to identify potential opportunities and risks by conducting environmental impact analysis[5], working with potential business partners or third party service providers to help minimize risks and enhance value where possible. Capital Dynamics will seek to confirm compliance with applicable local environmental laws and regulations;

- Engaging, in certain cases, where greenhouse gas emissions are unavoidable, in offsetting measures to reduce the negative environmental impact of investments, such as the purchase of carbon-dioxide emissions certificates;

- Refraining from knowingly committing to certain investments that could potentially result in a serious negative impact on the environment, such as the severe degradation of air and water quality; and by

- Further developing a Clean Energy business line (established in 2010), Capital Dynamics is truly invested in providing investments in climate solutions in support of net zero with the potential for attractive risk-adjusted returns

In 2019, the firm removed all single use plastic bottles from its offices.

Social

Capital Dynamics is committed to improving the long-term welfare of society. In collaboration with its business partners and third party vendors, the firm aims to enhance societal fundamentals such as job creation, working conditions and health and safety standards by:

- Identifying and assessing social matters to the degree economically feasible and operationally possible. The firm seeks to confirm compliance with applicable local laws and regulations;

[5] The firm may in its sole discretion commission the environmental impact study to external parties.

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- Striving to ensure best practices are followed with respect to health and safety standards in the firm's direct and indirect investments;
- Refraining from knowingly investing in assets that could have a serious negative impact on the general welfare of society or on local communities;
- Aiming to align our business and investment practices with (a) the OECD Guidelines for Multinational Enterprises, and (b) UN Guiding Principles on Business and Human Rights;
- Favoring the use of unionized labor if it does not affect other RI goals; and by
- Seeking opportunities to invest in communities with a view to bringing local economic benefits.

Capital Dynamics is truly invested in the local communities where it operates. For investments in locations where union labor may be used, the firm supports freedom of association and the right to collective bargaining. The firm invests in the people with whom it interacts: clients, colleagues and the related communities around the globe. Capital Dynamics' professionals have taken part in numerous community initiatives including, but not limited to, neighborhood revitalization projects, charitable events and general community outreach. The firm's Communities Committee, an RI sub-committee, was formed in 2019 and manages the firm's charitable projects.

Governance

Good governance plays an important role in all of Capital Dynamics' investment decisions. The firm believes that good governance leads to better decisions and ultimately to improved investment outcomes. Governance failures can result in material monetary and reputational losses, as well as broader adverse effects on a company's workforce and other stakeholders. The firm's investment decision-making processes take general governance issues, business integrity and corporate governance into account by:

- Identifying and assessing matters related to governance to the degree economically feasible and operationally possible. The firm seeks to confirm compliance with the highest applicable governance standards. This may be in accordance with local regulations or international best practice, whichever is the more stringent;
- Actively monitoring portfolio operational performance including RI metrics, when acting as an active direct investor with the capacity to influence, whether via board representation or otherwise;
- Managing unresolved governance risks. Capital Dynamics is committed to solving any issues that arise on an ongoing basis; and by
- Refraining from knowingly making investments in companies that have a significant risk of governance failure and are considered to lack a high level of business integrity.

Capital Dynamics strives to be a fair and equitable workplace that places high importance on Governance. The firm implemented **RepRisk** (a leading business intelligence tool that enables dynamic RI risk analytics) for all investment strategies in 2020 to help monitor the firm's assets and, for certain business lines, the asset supply chain.

5. RI Assessment Overview

Capital Dynamics formally incorporates the PRI, the SDGs and other RI factors in investment appraisals, due diligence procedures and decision-making processes. The firm's proprietary R-Eye™ rating system for each business line is designed to review a specific set of Responsible Investment matters, assess sustainability risks and provide transparency to clients.

Capital Dynamics' business lines are likely to reject an investment on Responsible Investment grounds if certain essential R-Eye™ criteria are not met at the point of initial investment appraisal. However, the firm may consider an investment if it does not meet all R-Eye™ criteria on initial appraisal if it is believed that the required standard can be achieved at the time of investment or commitment, typically through robust RI negotiation with the asset owners. From time to time, business lines may invest in situations that do not meet all R-Eye™ criteria at completion provided that the investment team can demonstrate a clear action plan to achieve the required standards within a reasonable period of time post-investment (*e.g.*, by implementing remedial action plans developed in the light of due diligence findings).

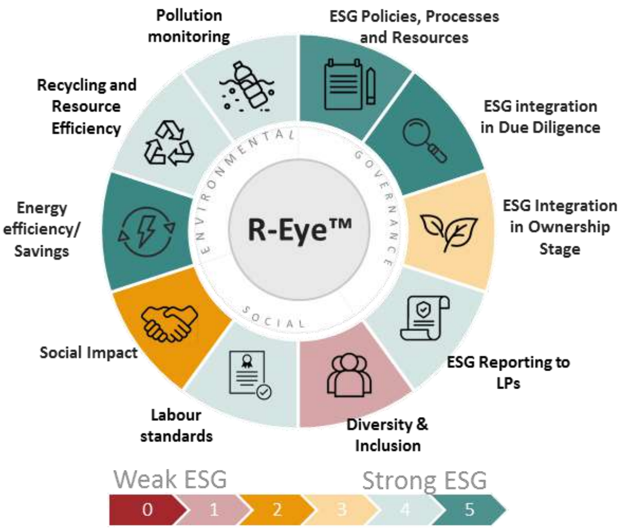
Proprietary Rating System

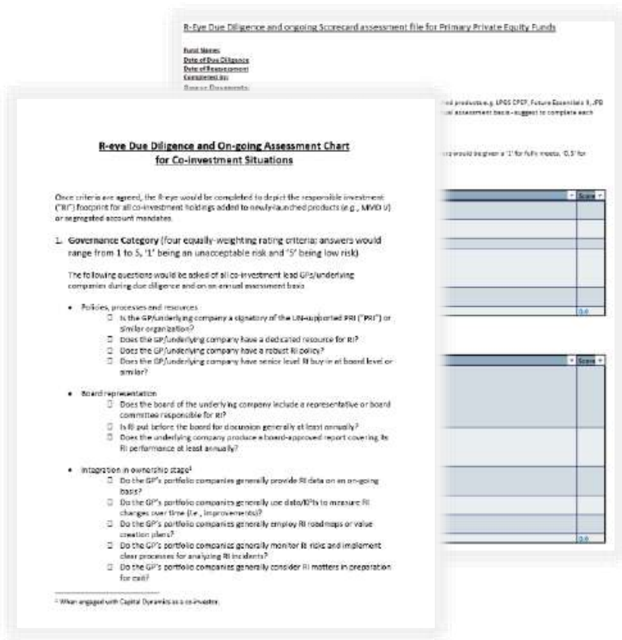
Capital Dynamics formally incorporates the PRI, the SDGs and other RI factors in investment appraisal, due diligence and decision-making.

In 2019, the **Capital Dynamics R-Eye™ Rating System** was implemented throughout all business lines to ensure a consistent and transparent approach to RI due diligence. The rating system is designed to review a specific set of Responsible Investment matters, assess sustainability risk and provide transparency to clients. Each investment made, regardless of business line, is rated on a 0 to 5 scale on the firm's proprietary R-Eye™ Scorecard. Investments with the weakest RI are rated 0 while investments which have the strongest RI are rated 5. In most cases, these ratings are based on standardized due diligence questionnaires and assessments which were developed by the investment teams within each business line and ratified by the firm's RI Committee.

Further, in 2023, we engaged with a third party to review the R-Eye™ scorecard used in our Clean Energy business line to ensure it meets the latest market standards and is fit for purpose to transparently measure the progress towards our impact targets launched for our latest Clean Energy funds.

Sample R-Eye™ and Scorecards





R-Eye Due Diligence and ongoing Scorecard assessment file for Primary Private Equity Funds

R-eye Due Diligence and On-going Assessment Chart for Co-investment Situations

Once criteria are agreed, the R-eye would be completed to depict the responsible investment ("RI") footprint for all co-investment holdings added to newly-launched products (e.g., MVD V) or segregated account mandates.

1. **Governance Category** (four equally-weighting rating criteria: answers would range from 1 to 5, '1' being an unacceptable risk and '5' being low risk)

   The following questions would be asked of all co-investment lead GPs/underlying companies during due diligence and on an annual assessment basis

   - Policies, processes and resources
     - Is the GP/underlying company a signatory of the UN-supported PRI ("PRI") or similar organization?
     - Does the GP/underlying company have a dedicated resource for RI?
     - Does the GP/underlying company have a robust RI policy?
     - Does the GP/underlying company have senior level RI buy-in at board level or similar?
   - Board representation
     - Does the board of the underlying company include a representative or board committee responsible for RI?
     - Is RI put before the board for discussion generally at least annually?
     - Does the underlying company produce a board-approved report covering its RI performance at least annually?
   - Integration in ownership stage[1]
     - Do the GP's portfolio companies generally provide RI data on an on-going basis?
     - Do the GP's portfolio companies generally use data/KPIs to measure RI changes over time (i.e., improvements)?
     - Do the GP's portfolio companies generally employ RI roadmaps or value creation plans?
     - Do the GP's portfolio companies generally monitor RI risks and implement clear processes for analyzing RI incidents?
     - Do the GP's portfolio companies generally consider RI matters in preparation for exit?

[1] When engaged with Capital Dynamics as a co-investor

Exclusion Framework

Capital Dynamics' business lines are likely to reject an investment on Responsible Investment grounds if certain essential R-Eye™ criteria are not met at the point of initial investment appraisal. However, the firm may consider an investment if it does not meet all R-Eye™ criteria on initial appraisal if it is believed that the required standard can be achieved at the time of investment or commitment, typically through robust RI negotiation with the asset owners. From time to time, business lines may invest in situations that do not meet all R-Eye™ criteria at completion provided that the investment team can demonstrate a clear action plan to achieve the required standards within a reasonable period of time post-investment (e.g., by implementing remedial action plans developed in the light of due diligence findings).

Capital Dynamics will never knowingly invest[6] in businesses which, above a certain materiality threshold:

- Exploit forced labor or child labor[7] as defined by the International Labour Organization[8];
- Manufacture or trade ammunition and/or weapons[9];
- Manufacture, sell or distribute adult entertainment or pornography;
- Are involved in banned products, services or activities under global conventions and agreements such as those pertaining to pesticides, chemicals, wastes and endangered wildlife; or
- Exploit vulnerable groups in society (in the view of the relevant investment committee).

Business Line and Strategy-specific Approach

Given the inherent differences in Capital Dynamics' indirect and direct investment business lines (*i.e.*, fund-of-funds or Secondaries *versus* direct private equity), the firm's R-Eye™ grades each investment based on a set of criteria specific to the respective offering.

Please refer to sections 10 through 11 for further details at the level of each individual business line.

[6] *Commercially reasonable efforts*
[7] *See section 6 on Modern Slavery Act*
[8] *https://www.ilo.org/ipec/facts/lang--en/index.htm*
[9] *Defined as a Portfolio Company that is primarily engaged in the production and sales of weapons, firearms and munitions. The foregoing shall not apply to an entity that is primarily engaged in the production or sale of any product or component that is not intended primarily for use in the manufacture of weapons, firearms and munitions.*

Oversight

The RI Committee leads efforts by the firm to embrace the principles of Responsible Investment and sustainability in order continually to enhance Capital Dynamics' approach to corporate responsibility and to contribute to the discourse and thought leadership surrounding Responsible Investment in the alternative asset classes.
The chair of the RI Committee is Verena Rossolatos, Director. The chair holds observer seats in each of Capital Dynamics' Strategies' investment committees. Additionally, the membership of the committee requires representation by a senior investment team member from each of the firm's business lines. This helps ensure oversight and strategy-level implementation of the R-Eye™ System.
The RI Committee enjoys senior representation from each of the firm's key business lines including Private Equity and Clean Energy. As part of committee members' roles, these senior individuals serve as the RI Committee representative designated to evaluate all investment decisions made by their business lines. If these individuals identify complex RI issues during their investment review, it is their responsibility to refer the potential investment to the full RI Committee for review and consideration. The RI Committee will then issue a recommendation to the relevant investment committee, opining on best practice as it relates to the identified matter. The corresponding investment committee will consider this recommendation, along with other key investment, risk and portfolio considerations, in making a final investment decision. The same RI Committee review process also applies to managers and assets during the investment holding period. The RI Alert process is summarized in Figure 1 below. The RI Committee reports to the firm's Executive Committee and Risk Committee and its responsibilities are governed by the Responsible Investment Charter. In certain instances, firm-wide RI issues may be escalated to the Risk Committee for evaluation and consideration. To the extent required, the Risk Committee brings RI matters to the CEO and the board's attention.
The Chief Marketing Communications Officer, as the firm's ESG representative on the Executive Committee ("EC"), provides periodic updates on ESG matters to the EC. When significant ESG issues are identified, they are first brought to the Responsible Investment Committee for evaluation and to recommend next steps. In cases of firm-wide concern, the Chief Marketing Communications Officer escalates the issue to the Risk Committee for further review and action. If the situation necessitates, the Risk Committee will then inform the CEO and the Board for their consideration and decision-making.

Figure 1: Capital Dynamics RI Alert process

Conflicts of interest

As part of the formal review of complex RI matters in the RI Alert process, the RIC might face conflicts of interest arising from sustainability risks. The chair of the RIC refers such conflicts of interest to Capital Dynamics' Conflicts and Compliance Committee ("CCC"). The CCC consists of senior leadership and firm ownership and is responsible for reviewing conflict of interest matters and making decisions on remedial actions.

Guidelines on proxy voting and stewardship

Since proxy voting is not applicable for private equity investments, our guidelines on Stewardship focus on evaluating external managers based on their approach to RI integration and stewardship within private companies. We assess how managers incorporate RI considerations into their investment decision-making processes, including due diligence, value creation and governance improvements. We prioritize managers who actively engage with portfolio companies to implement robust RI practices, conduct regular RI performance reviews and drive meaningful changes. We invest with GPs who align with our RI ethos. When we do have board seats, we try to implement RI improvements as part of our board participation.

RI Education and Training

Capital Dynamics is committed to ensuring that all Capital Dynamics professionals receive RI training on at least an annual basis. The topics may vary but the overall purpose is to keep the firm's staff up to date regarding RI considerations, existing and upcoming regulations, best practices and raising awareness of key RI matters (for example climate change, biodiversity loss and human rights issues) and lessons learned in the alternative assets industry. Capital Dynamics views this annual training as essential in achieving the firm's external and internal initiatives given the ever-evolving landscape of RI on a global basis generally and in our industry specifically. The 2024 annual firm wide RI training was successfully completed by 100% of Capital Dynamics employees. Each business line also undertakes its own strategy specific RI training on an annual basis. All staff completed our unconscious bias training in 2022, which is an important milestone in our continuous drive to foster and enhance Ethnicity and Gender Diversity & Inclusion at our Firm.

6. Investment Monitoring

General

After an investment has been made, Capital Dynamics actively monitors its underlying investment portfolio holdings with respect to RI issues and opportunities. Monitoring activities include:

- Ongoing meetings with fund managers at Annual Investor Meetings (AIMs) and 1:1 meetings with Asset Managers to identify any RI-related issues and opportunities of underlying portfolio companies;

- Periodic meetings with the management of underlying portfolio or project companies to identify any RI-related issues and opportunities (such meetings solely in the case of the firm's business lines engaged in direct investment);

- Review and re-evaluation of potential issues identified during the fund/manager due diligence;

- Constant news monitoring to identify any potential issues in real time (*i.e.*, emerging RI issues are added to a 'watch' register for Private Equity and reported to the relevant investment management professionals and investment committees); and

- Review of the list of RI-related themes that are monitored and update of same list if needed.

Capital Dynamics also monitors its investments to evaluate best practices relating to a diverse range of topics including anti-bribery and corruption, sustainable sourcing and worker safety. Moreover, the firm has adopted a post-closing review, which includes confirmation that anti-bribery, corruption sanctions and conflict screenings are completed.

RepRisk

As part of our commitment to active monitoring of investments, Capital Dynamics has integrated RepRisk data in its RI process. RepRisk, a market-leading provider of RI data and analytics, is used to monitor all of the firm's investment assets and also the firm's own third party service providers to identify any supply chain issues. It is our belief that this tool effectively compliments the investment teams' ongoing monitoring of investments and managers. It further provides us with another source of information to communicate transparently with our clients if and when material RI-related issues are identified.

On a weekly basis, the Head of Investment Risk at Capital Dynamics reviews, together with the firm's RI Committee leadership, RepRisk Alerts to conduct a four-eye check on issues flagged by RepRisk and perform a materiality assessment of those issues. The resulting RI risks are then summarized and shared with the investment teams and where required further escalated to the Responsible Investment Committee.

Every RI risk flagged by RepRisk is linked to at least one of 28 RI issues. These issues correspond to international standards related to RI and business conduct, such as the:

- World Bank Group Environmental, Health, and Safety Guidelines;
- IFC Performance Standards;
- Equator Principles;
- OECD Guidelines for Multinational Enterprises; and

- ILO Conventions.

While an RI risk may not result in a banned investment, performing the RI risk review in conjunction with the RepRisk platform allows us to monitor our investments with respect to minimum social and environmental safeguards in accordance with international standards.

EarthScan™ by Mitiga

In 2024, we have partnered with a market-leading climate risk screening tool, EarthScan™ by Mitiga for our European Clean Energy business line. This tool enables us to conduct in-depth analysis of financially material climate risks, ultimately enhancing our location planning and climate adaptation measures for our European Clean Energy assets over time. The insights generated from this analysis will be instrumental in optimizing portfolio resilience in the face of climate-related challenges and we seek to incorporate the data-driven insights into our location planning of assets in the future.

Position Green

Position Green is a market-leading ESG data collection and analytics tool, which we have implemented for our Private Equity strategies during the course of 2024. This partnership will enhance our ESG data collection processes and improve future fund-level ESG reporting, such as offering the Sustainable Finance Disclosure Regulation (SFDR) Principal Adverse Impacts (PAIs) and the ESG Data Convergence Initiative (EDCI) data for our newer private equity funds going forward.

7. Reporting

Investor Reporting

Capital Dynamics reports RI matters to investors regularly. The firm's periodic fund reports include one or more sections on RI matters in the respective program's underlying assets and illustrate Capital Dynamics' R-Eye™ assessment. Further, Capital Dynamics has established processes to report RI-related incidents in a timely manner. Incidents are reported to the RI Committee chair and tracked on a central RI alert tracker. Depending on the severity of the incident, the chair will advise if the incident should be further reported to the RI Committee which would then review the matter recommend appropriate action, identifying lessons learned to share with the broader group. Capital Dynamics will also report to its clients any RI incidents in portfolio companies, assets and fund managers on an *ad hoc* basic if they are deemed sufficiently significant and relevant to a particular program.

Corporate Annual Responsible Investment Report

The firm issues an annual Responsible Investment report to investors detailing specific activities, milestones and new initiatives implemented in the previous year. The inaugural report was published in June 2020. The latest RI report (2023-2024) is available on the firm's website at: https://www.capdyn.com/Customer-Content/www/CMS/files/2023_2024_RI_Report_Capital_Dynamics_Final.pdf

SFDR Fund Reporting and European ESG Template ("EETs")

In 2022, Capital Dynamics issued its first Sustainable Finance Disclosure Regulation ("SFDR") fund-level investor reports for funds which are classified as Article 8 or Article 9. The firm welcomes the increased transparency and disclosure requirements introduced by the developing SFDR legislation and is committed to further expand on its data collection under commercially reasonable endeavors. In 2024, Capital Dynamics issued the first set of EETs for our latest Future Essentials fund and our newer Clean Energy funds. We plan to expand the EET reporting offering for our Mid-Market Direct strategy in the future, subject to data availability.

SFDR Principal Adverse Impacts on Sustainability

Capital Dynamics considers Principal Adverse Impacts (“PAIs”) as defined in the SFDR at a product level for its sustainable investments in Article 9 funds. Our firm started reporting the PAI data points for our Article 9 products under commercially reasonable endeavors in 2023, for the reference period of 2022. We disclose the Principal Adverse Impacts in our periodic SFDR fund reports.

Taskforce on Climate-related Financial Disclosures (“TCFD”)

Capital Dynamics has been a supporter of the TCFD reporting framework since 2020. Our firm has established robust processes and hired in-house expertise to meet the 11 recommended disclosures by the Taskforce on Climate-related Financial Disclosures. The chair of Responsible Investment is responsible for identifying and assessing financially material climate risks (transition risks and physical climate risks), utilizing a variety of specialized tools, including scenario analysis. The 2023 TCFD report is available on the firm’s website at:

https://www.capdyn.com/news/2023-task-force-on-climate-related-financial-disclosures-tcfd-report/

8. Statement on Modern Slavery Act

Modern Slavery is defined as the act of recruiting, providing, concealing, transporting or obtaining a person for compelled labor through the use of force, coercion, or fraud. Such actions will restrict a person's freedom of movement, exercise 'ownership' over a person, dehumanize the individual and ultimately result in forced labor or exploitation. Capital Dynamics is opposed to all forms of Modern Slavery.

Capital Dynamics supports the UK's Modern Slavery Act 2015 and corresponding policies with the objective to eradicate forced labor and human trafficking. Capital Dynamics acts in accordance with its core values while taking into account internationally-recognized principles for environmental protection, human and labor rights, business ethics and anti-corruption. This includes improving business practices and investment monitoring to combat Modern Slavery. The firm is committed to respecting human rights and avoiding investments that would violate the Modern Slavery Act 2015. International agreements lay out the basis on which the firm conducts business in a responsible and transparent manner.

Capital Dynamics specializes in middle market corporate investing and clean energy investing with offices around the globe. The firm is committed to preventing any form of Modern Slavery or human trafficking throughout its business.

As a responsible investor, Capital Dynamics has a long-standing commitment to corporate responsibility. The firm conducts its investment activities according to best practices and uses this policy document as a guiding tool.

The data identified from the firm's R-Eye™ investment appraisal and due diligence are tracked and analyzed during the investment holding period to better understand and reduce RI risks including those related to Modern Slavery and human trafficking. The process is also used when working with service providers and external suppliers. Capital Dynamics will not conduct business with any supplier or service provider where the firm has determined that such organization may be involved in any form of Modern Slavery or human trafficking. The latest Modern Slavery Act disclosure is available on our website at: https://www.capdyn.com/Customer-Content/www/CMS/files/Modern_Slavery_Act_Statement_2023_Final.pdf

9. Engagement, Industry Memberships and Disclosures

As the firm continues to expand its Responsible Investment program, Capital Dynamics maintains a list of relevant RI partner organizations and memberships which create potential synergies and provide valuable insights and benefits. The firm is currently a member or supporter of the following organizations:

- UN-supported Principles for Responsible Investment ("PRI");
- Global Real Estate Sustainability Benchmark ("GRESB");
- Partnership for Carbon Accounting Financials ("PCAF");
- Institutional Investors Group on Climate Change ("IIGCC");
- Taskforce on Climate-Related Financial Disclosures ("TCFD");
- Pensions for Purpose;
- Invest Europe;
- Forum per la Finanza Sostenibile
- ILPA Diversity in Action;

- iC International; and
- Out Investors.

As a result of these memberships, the firm attends relevant RI events, joins Responsible Investment panels, and participates in lobbying initiatives for a sustainable economy.

Engagement with policy makers and standard setters

Capital Dynamics actively engages with standard setters and policy makers through direct engagement, active participation in targeted working groups and participating in sign-on letter initiatives. Examples of recent engagement activities include:

- In 2024, Capital Dynamics actively participated in the IIGCC (Institutional Investor Group on Climate Change) working group focused on developing supplementary net zero guidance for infrastructure investors. Through this collaboration, we contributed insights from our experience in private markets and clean energy, helping shape practical recommendations to support the alignment of infrastructure investments with net zero goals
- In 2023, Capital Dynamics engaged with EU Policy makers on the SFDR industry consultation and participated in numerous PRI-led working groups aimed at promoting greater transparency around sustainability (for example, expressing support for the adoption of the ISSB sustainability reporting standards). Capital Dynamics regularly engages with targeted working groups to promote sustainable investment practices in private markets
- In 2022, Capital Dynamics submitted commentary to the SEC expressing strong support for proposed rules regarding the enhancement and standardization of climate-related disclosures for investors
- Following our belief that strong policy action is needed to address financial risks associated with climate change, Capital Dynamics, alongside a worldwide group of investors collectively managing nearly $39 trillion in AUM, has signed an open letter calling on governments radically to raise their climate ambition ahead of and beyond COP27 in 2022. This Global Investor Statement urges governments to implement domestic policies and take early action to ensure that their 2030 greenhouse gas emissions are aligned with the goal of keeping global temperature rise to 1.5°C.
- Over the course of the past two years, Capital Dynamics has co-led the IIGCC working group to steer the Net Zero Investment Framework ("NZIF") component for Private Equity. The guidance aims to create synergies in the market among LPs and GPs to collectively drive the decarbonization of portfolio companies, and builds upon a pragmatic, science-aligned approach the private equity industry can support.

For more information on our latest engagement with policy makers, please visit our website at:
https://www.capdyn.com/about-us/responsible-investment/case-studies/engagement-with-policy-makers-and-industry-associations/

10. Strategy-specific approach — Private Equity

Capital Dynamics has been active in private equity since 1988[10] and has developed a strong network of relationships with 350+ fund managers. Capital Dynamics integrates RI into its investment due diligence, investment decisions and post-investment monitoring. The private equity business lines screen investment opportunities against internal RI hurdles using the Capital Dynamics R-Eye™ scorecard and monitor responsible investment criteria throughout the ownership phase.

Primaries

Capital Dynamics' primaries platform targets investments in middle market private equity funds throughout the US, Europe and Asia pursuing growth capital, buy-out, turnaround or special situations strategies.

Pre-investment responsible investment assessment

All potential private equity fund commitments are formally assessed in the investment appraisal and due diligence process under Capital Dynamics' specific predetermined R-Eye™ criteria including:

- Assessment of each manager's RI processes, systems and resources;
- Assessment of each manager's RI analysis in its due diligence processes and ownership phase;
- The extent to which each manager reports on RI matters to its limited partners ;
- The extent to which the manager looks at diversity, labor standards and social impact at firm, portfolio company and supplier level, and climate change; and
- The extent to which the manager considers energy efficiency savings, recycling and use of natural resources and pollution control at firm, portfolio company and supplier level.

These findings are summarized in the investment memorandum materials that are presented to the relevant investment committees. Any prior RI alerts on a manager are outlined in the investment memorandum for reference.

Post-investment responsible investment monitoring

After an investment has been made, fund investments are monitored by the combined private equity team as well as the Solutions and Risk team via:

- Monitoring of relevant industry press articles and the mainstream press;
- Regular 1:1 calls, webcasts and meetings with the managers;
- Attendance at the manager's annual investor meetings;
- Active monitoring of all underlying portfolio companies during the holding period utilizing RepRisk[11]; and
- At least annual reassessment of R-Eye™ scorecard ratings to show movements from the previous rating.

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[10] *Acquisition and integration of Westport Private Equity Ltd.'s entire investment team and products in 2005.*
[11] *As of 2020.*

Secondaries

Capital Dynamics' Secondaries team acquires interests in funds and assets managed by private equity firms with a history of strong performance and consistent strategy and execution. The team focuses on established, high quality, mature leveraged buy-out funds, growth capital funds and certain established venture capital funds. The team's differentiated approach capitalizes on its expertise in executing smaller and more complex secondary transactions on a global basis, including fund restructurings, tail-end wind-down transactions and preferred interest structures.

The firm's primary and secondary business lines often work with the same fund managers, creating synergies between both strategies. In such instances, the two business lines may collaborate and share findings of RI analysis.

Pre-investment responsible investment assessment

All secondary opportunities are assessed during the investment appraisal and due diligence process under Capital Dynamics' specific predetermined Responsible Investment criteria. In a secondary transaction, only limited information regarding a manager's RI processes and RI factors in the underlying portfolio companies may be available. However, the team can often draw on the knowledge of Capital Dynamics' other private equity investment activities. Subject to the extent available and materiality thresholds, the analysis may include:

- Assessment of each manager's RI processes, systems and resources;
- Assessment of each manager's RI analysis in its due diligence processes and ownership phase;
- The extent to which each manager reports on RI matters to its limited partners;
- The extent to which the manager looks at diversity, labor standards and social impact at firm, portfolio company and supplier level; and
- The extent to which the manager considers energy efficiency savings, recycling and use of natural resources and pollution control at the firm, portfolio company and supplier level.

The RI findings are summarized in the investment memorandum materials that are presented to the relevant investment committees.

Post-investment responsible investment monitoring

After an investment has been made, fund investments are monitored, subject to materiality thresholds, by the combined private equity team via:

- Monitoring of relevant industry press articles and the mainstream press;
- Regular 1:1 calls, webcasts and meetings with the managers;
- Active monitoring of all underlying portfolio companies during the holding period utilizing RepRisk[12];
- Attendance at the manager's annual investor meetings; and
- At least annual reassessment of R-Eye™ scorecard ratings to show movements from the previous rating.

Direct Investments

The direct investment team makes direct investments in middle-market companies alongside established private equity fund managers and specialist sponsors. Underlying portfolio company investments are

[12] *As of 2020.*

diversified throughout the clean energy & industrial manufacturing/services, consumer, healthcare & financial services and technology & business services sectors. The team is active globally.

Pre-investment responsible investment assessment

The direct investment team screens all opportunities against an exclusion list and prioritizes those focused on R-Eye™ criteria using a proprietary framework and appraisal process based on the SDGs. Appraisal includes both the sponsor/GP's and the target company's approach to Responsible Investment. The team strives to incorporate R-Eye™ criteria in the legal documentation of transactions which proceed to completion. The team invests in leading companies with sustainable competitive positions, strong growth prospects and high Responsible Investment standards as determined in conjunction with the SDGs. The team mainly invests in companies based in North America and Europe (including the United Kingdom) but typical portfolios also include a minority of holdings elsewhere (*e.g.*, in the higher growth, emerging markets of Asia).

Investment appraisal and due diligence criteria typically encompass the following:

- Responsible Investment policies, processes, systems, innovation, economic growth and resources of the sponsor/GP and those of the underlying company;
- Board composition and the importance of Responsible Investment matters at the board level;
- Measurement and analysis of Responsible Investment matters during the ownership phase at the level of the sponsor/GP and that of the underlying portfolio company;
- The nature and extent of Responsible Investment reporting by the sponsor/GP to its investors;
- Consideration of ethnicity, diversity & inclusion, gender equality, affordable & clean energy, quality education, good health, nutrition and well-being and health & safety at the sponsor/GP, portfolio company and supply chain levels; and
- Consideration of energy competitiveness/efficiency/intensity, climate change, water consumption/quality, sustainable transportation/infrastructure, recycling and use of natural resources and pollution control at the sponsor/GP, Portfolio Company and supply chain levels.

The investment appraisal and due diligence findings relating to R-Eye™ matters are summarized in the direct investment memorandum presented to the relevant investment committees of the firm.

Post-investment responsible investment monitoring

After an investment has been made, the direct investment team continues to monitor its portfolio company holdings, as follows:

- Review of periodic reporting to ensure compliance with the underlying transaction documentation (*e.g.*, with covenants requiring the sponsor/GP and/or underlying portfolio company to introduce or maintain appropriate Responsible Investment strategies and/or to remedy deficiencies identified during due diligence or otherwise);
- Review of any Responsible Investment incidents or infractions;
- Review of relevant industry press articles and the mainstream/financial press;

- Periodic meetings with the sponsor/GP and attendance at the board meetings of underlying portfolio companies (where the team enjoys board representation by virtue of the transaction documentation);
- Active monitoring of all underlying portfolio companies during the holding period utilizing RepRisk[13];
- Attendance at the AIMs of the sponsor/GP and those of the underlying portfolio company; and
- At least annual re-assessment of the R-Eye™ ratings for the underlying portfolio company assets.

By focusing on long-term value creation through improvement in R-Eye™ parameters, the direct investment team intends to mitigate risks, enhance returns and improve exit opportunities. The team's intention is to leave a portfolio company in a better state from a Responsible Investment perspective than the one in which it was found at the start of its stewardship.

11. Strategy-specific approach — Clean Energy

Capital Dynamics has been committed to the Clean Energy strategy since 2010, investing primarily and directly into energy generation utilizing proven renewable energy related technologies and storage. Clean Energy investments focus on energy generation and infrastructure that are reducing carbon emissions and help to address the problem of climate change.

Commitment to net zero

The firm supports the Paris Agreement and net zero through its investment in Clean Energy projects. Our investments into solar and wind energy projects represent ambitious net zero targets aimed at scaling investments into climate solutions with attractive risk-adjusted returns for our clients. Further, our Clean Energy investments help meeting global targets including the SDGs and the Kyoto Protocol, simultaneously providing a solution for members of the RE100, a list of over 370 companies committed to 'go 100% renewable'.[14]
All of our solar and wind assets contribute substantially to or enable emissions reductions to support decarbonization in line with credible 1.5˚C pathways towards net zero. Since inception of our Clean Energy business line, our projects have avoided emissions which is disclosed on our website ticker here. The avoided emissions figures are updated bi-annually to reflect the emissions savings from our Clean Energy assets.
Our focus on wind energy and solar PV projects are crucial to the transition to a net zero economy and corresponding policy goals, such as the EU Green Deal and the UK's net zero plans. Our new funds are committing to net zero initiatives through:

- Decarbonization targets with reduction of construction emissions[15] and operational emissions[16]
- Offsetting residual emissions with verified carbon removal project
- Measurement of construction and operational emissions

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[13] As of 2020.
[14] Source: http://there100.org/
[15] For example, through solar powered temporary offices, use of electric vehicles for worker transportation and waste reduction
[16] Reduce own energy usage of investments and increase procurement of renewable energy at asset level

Approach to Responsible Investment

Within Capital Dynamics' Clean Energy business line, Responsible Investment means investing in sustainable energy projects, which:

- Contribute to climate change mitigation while ensuring their operations do not adversely impact the environment;
- Support the local communities, employ local talent whenever possible and implement fair labor and responsible contracting policies;
- Implement strong governance policies;
- Generate superior returns for the firm's clients.

For the avoidance of doubt, the exclusion framework contained in this Policy and the exclusions triggered by the RepRisk assessment, all together adhere to the exclusion criteria referred to as the **Paris-Aligned Benchmark (PAB)** exclusions contained in Article 12(1)(a) to (g) of CDR (EU) 2020/1818 for our European Clean Energy funds, which are subject to the ESMA guidelines on fund names. The PAB exclusions are applied to ensure alignment with the ESMA Guidelines on funds' names using ESG or sustainability-related terms (ESMA 34-1592494965-657). There may be overlaps across exclusions. In case of overlap between the exclusions, the stricter threshold shall apply.

Capital Dynamics believes that businesses focused on long-term value creation for major stakeholders (including employees, customers, suppliers, other business partners and the environment as well as shareholders) are able to meet high-quality R-Eye™ criteria and achieve superior long-term performance. The firm prioritizes opportunities to invest in projects based on these criteria.

Capital Dynamics' Clean Energy business line screens investment opportunities against internal RI hurdles using the R-Eye™ scorecard, performs additional due diligence where necessary and monitors R-Eye™ criteria throughout the holding period. The Clean Energy team is further supported by a dedicated RI resource that focuses on RI monitoring and improvements throughout the investment lifecycle.

The Capital Dynamics Clean Energy business line has introduced an asset-level ESG policy and a responsible contractor policy. Both documents are available on our website at: https://www.capdyn.com/investment-strategies/clean-energy/

Pre-investment responsible investment assessment

As part of the underwriting process, all potential investments are evaluated based on short-, medium- and long-term environmental, social and governance effects and are formally assessed under the firm's R-Eye™ criteria, specifically:

- Initial screening selection process undertaken to identify any "fatal flaws" from a Responsible Investment perspective;

- Thereafter, an R-Eye™ scorecard is provided at each stage of the Clean Energy investment committee review process in accordance with the Clean Energy team's Responsible Investment framework;

- Investment professionals are required to review all existing documentation available, retain consultants and advisors when information is insufficient and report diligence findings in the scorecard evaluation;

- The Clean Energy team reviews proposed project contractors' RI credentials, performance and disclosures and applies the same Exclusion Framework to contractors and main suppliers as for investments to manage risks and avoid incidents; and

- Capital Dynamics' constant news monitoring via RepRisk highlights potential issues in real-time, which may be relevant, based on geographic, industry or company-specific considerations.

Post-investment responsible investment monitoring

After an investment has been made, the Clean Energy team continues to monitor projects in partnership with its dedicated asset management team**,** Netro Energy, Ltd. Monitoring activities include:

- Quarterly reporting of the Capital Dynamics R-Eye™, showing an up-to-date assessment of project RI evaluation;

- Quarterly reporting of carbon-equivalent statistics (*e.g.*, homes powered, metric tons of greenhouse gas emissions avoided, passenger vehicle emissions avoided, equivalent gallons of gasoline and equivalent barrels of oil otherwise consumed by each project for a stated energy output);

- Quarterly reporting of Responsible Investment activities in the period including those in relation to Health & Safety, Environment and the Supply Chain;

- Annual reporting of investor specific carbon-equivalent statistics through 'Clean Energy green certificates';

- Reviewing project contractors' RI credentials, performance and disclosures to evaluate opportunities and avoid incidents during project construction and operation;

- The use of RepRisk to monitor all assets and suppliers within the Clean Energy portfolio;

- Continuous correspondence with our asset management partners or affiliates who are responsible for the day-to-day management of project investments and oversee any RI-related risks and opportunities including any health and safety incidents (and responses to the same);

- Publishing performance metrics of the portfolio; and

- Measuring and reporting SFDR PAI data for Article 9 Clean Energy funds.

Each year, Capital Dynamics' Clean Energy business line participates in the internationally recognized GRESB assessment, an industry-standard benchmark or an alternative recognized reporting assessment, designed to capture information regarding RI performance and sustainability best practices for real estate and infrastructure portfolios globally.

By focusing on long-term value creation for all stakeholders, Capital Dynamics' Clean Energy business line intends to enhance returns to clients, mitigate risks and improve exit opportunities.

12. Attestation

Provided below is a list of the voting members of the **Capital Dynamics' Responsible Investment Committee**. This committee oversees the implementation of RI best practices in the firm's investment decision-making, directs efforts by the firm to embrace principles of Responsible Investment fully as an organization and seeks to contribute to the public discourse surrounding Responsible Investment and RI matters in the alternative assets community generally.
Each voting member has signaled her/his agreement with and wholehearted support for this Responsible Investment policy in this attestation by signing below:

Verena Rossolatos

Verena Rossolatos, Director
Chair Responsible Investment

Simonne Cepollina

Simonne Cepollina, Senior Associate
Client Relations and RI Committee Secretary

Carolin Hirschbiel

Carolin Hirschbiel, Senior Managing Director
Chief Marketing & Communications Officer

Helen Lais

Helen Lais, Senior Managing Director
Head of Primaries, U.S., Private Equity

Barney Coles

Barney Coles, Senior Managing Director
Clean Energy

Dario Bertagna

Dario Bertagna, Senior Managing Director
Clean Energy

Mauro Pfister

Mauro Pfister, Managing Director
Secondaries

David Smith

David Smith, Senior Managing Director
Direct Investments

Klaus Gierling

Klaus Gierling, Senior Managing Director
Head of Business Development, DACH & Benelux

Carolyn Skuce

Carolyn Skuce, Senior Managing Director, Business Development, UK LGPS, Australia and New Zealand

Kairat Perembetov

Kairat Perembetov, Director
Research

Philippe Jost

Philippe Jost, Managing Director
Head of Risk & Solutions

CapitalDynamics TRULY INVESTED.

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When considering alternative investments, such as private equity funds, the Recipient should consider various risks including the fact that some funds may use leverage and engage in a substantial degree of speculation that may increase the risk of investment loss, can be illiquid, are not required by law to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager. Any such investment involves significant risks, including the risk that an investor will lose its entire investment.

By accepting delivery of this document, each Recipient agrees to the foregoing and agrees to return the document to Capital Dynamics promptly upon request.

POLICY FOR TAKING INTO ACCOUNT SUSTAINABILITY RISKS AND STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT ADVICE ON SUSTAINABILITY FACTORS

January 2025

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

SUSTAINABILITY RISKS WITHIN INVESTMENT ADVICE

Article 3(2) of Regulation (EU) 2019/2088/EU, the "Sustainable Financial Disclosure Regulation" (SFDR), requires financial advisers to publish on their websites information about their policies on the integration of sustainability risks in their investment advice.

A sustainability risk, as defined by SFDR, is 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 investment.

At a global stage, Crédit Agricole CIB's CSR Policy, updated in October 2023, describes its social, societal and environmental approach, which is fully part of the Crédit Agricole S.A. Group's "2025 Ambitions" project, as well as the assessment and management system for environmental and social risks.

With regard to its investment advisory activity related to financial instruments covered by Directive 2014/65/EU referring to financial instruments markets ("MiFID"), Crédit Agricole CIB integrates sustainability risks at both the design and distribution levels:

- Conception: by generalising the consideration of the ESG approach in all investment processes in addition to traditional financial analysis, or by a policy of voting and shareholder engagement integrating ESG aspects and by providing financial advisors and clients with information on the ESG nature of the products.

- Distribution: through the processes, tools and skills specific to the financial advisory, which especially involves developing the ESG expertise of financial advisers so that they can assess clients' preferences in terms of sustainability, recommend suitable products, but also help clients in their understanding of ESG-related risks and opportunities in the construction of their portfolio.

INTEGRATION OF SUSTAINABILITY RISKS INTO THE REMUNERATION POLICY

Article 5 of SFDR. requires financial advisers to include in their remuneration policies information on how these policies are consistent with the integration of sustainability risks and to publish this information on their website.

CACIB's remuneration policy incorporates sustainability risks by:

- Not encouraging excessive sustainability risk-taking in investment advisory activities,

- Promoting compliance with conduct of business rules and a long-term approach to risk management, including climate and environmental risks, in line with Crédit Agricole CIB's risk appetite and strategy,

- Linked to risk-adjusted performance: all staff have performance objectives associated with compliance with the bank's risk and compliance policies.

ADVERSE IMPACTS ON SUSTAINABILITY FACTORS WITHIN INVESTMENT ADVICE

Article 4(5) of SFDR requires financial advisers to publish on their website information on how the main negative impacts of investment decisions on sustainability factors are taken into account in their investment advice.

The main negative impacts refer to the negative effects, significant or likely to be significant, on the sustainability factors that are caused, aggravated by or directly related to the advice provided.

Crédit Agricole CIB implemented the Commission Delegated Regulation (EU) 2021/1253 of April 21st, 2021, on the integration of sustainability factors and sustainability risks and preferences. In this way, Crédit Agricole CIB responds to its clients' sustainability preferences, including taking into account the main negative impacts on sustainability factors through a financial instrument.

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

IMPACT AND SUSTAINABILITY POLICY

NORDIC IMPACT FUNDS

Created: November 2024

Last update: November 2024

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Approved by:

Approved on:

Contents

NORDIC IMPACT FUNDS
IMPACT AND SUSTAINABILITY POLICY

Introduction and Scope

Nordic Impact Funds (NIF) invests in locally anchored companies with scalable and economically viable models for impact and a natural alignment between commercial and impact performance.

The present policy outlines NIF's approach to impact and sustainability, including the practices, procedures, tools, and templates that enables NIF to actively manage, measure, and report the positive and potential adverse impact of its portfolio in alignment with regulation, industry standards, and best practices.

NIF's Nordic Impact Investments fund (NII) is designated as **Article 9** under SFDR and relevant disclosures can be found here.

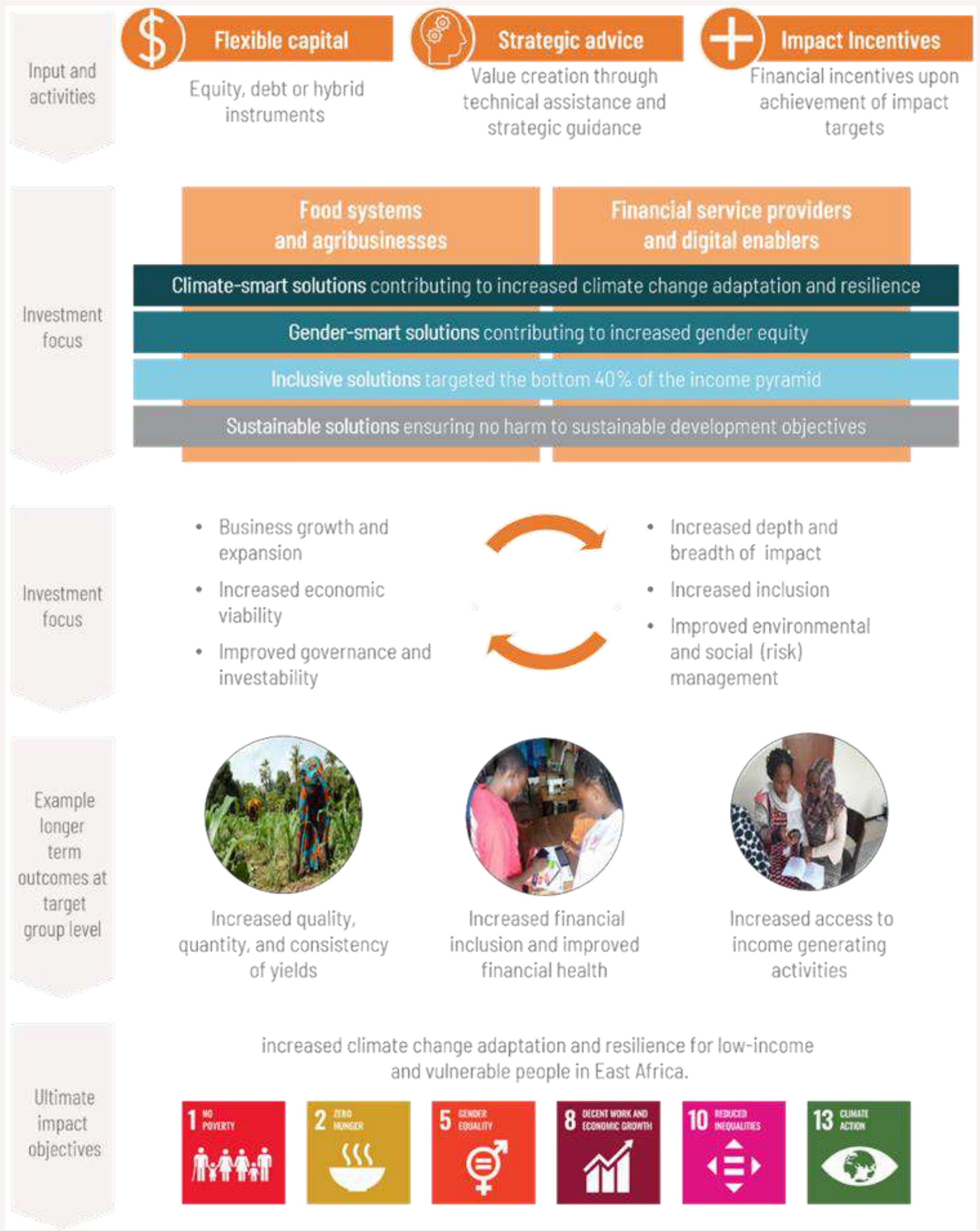
This policy is revised annually to ensure continuous development and alignment with learnings and an industry in motion.

Impact and Sustainability Strategy

NIF's impact and sustainability strategy is rooted in a holistic approach, incorporating both intentional positive impact (*do good*) and mitigating potential adverse impacts (*do no harm*).

The overall impact objective of NIF is to increase livelihoods, climate adaptation and resilience for low-income populations in East Africa. To this end, NIF offers finance, strategic advice, and (in selected cases) impact incentives to companies who operate in food and agricultural value chains as well as financial and digital enablers who have sustainable, climate-smart, and gender-smart solutions that benefit low-income populations.

Theory of Change



Impact and Sustainability Management System

Industry alignment

NIF's impact and sustainability management system (ISMS) builds on a selection of widely accepted international standards and frameworks which have been operationalized to meet the needs throughout NIF's investment process and cater for the context we operate in. The table below provides an overview of the most central standards which NIF's approach is aligned with and/or inspired by.

Standard / Framework		Description
GIIN	GIIN	Definition of Impact Investment: *Impact investments are investments made with the* ***intention*** *to* ***generate*** *positive,* ***measurable*** *social and/or environmental* ***impact*** *alongside a* ***financial return****.*
Sustainable Development Goals	Sustainable Development Goals	The SDGs provides a set of shared global priorities for sustainable development and thus the SDGs guide our impact thesis and **priority outcomes**.
Operating Principles for Impact Management	IFC Operating Principles for Impact Management	The nine Principles outline good investment practices for impact investors. By aligning with the Principles we ensure that our investment process is **aligned with industry best practices** at a generic level.
IMPACT FRONTIERS	IMP Norms, Five Dimensions of Impact	The Five Dimensions of impact is the core inspiration for our **impact assessment framework** applied in the due diligence process as well as our annual impact monitoring and reporting framework.
2X GLOBAL	2X Global, 2X Challenge Criteria	NIF's **gender lens** is aligned with the 2X Global framework and the 2X Challenge Criteria and benchmarks for gender lens investing.
IRIS+	IRIS+	To the degree possible, **indicators** of the core impact assessment framework as well as broader impact measurement and reporting are aligned with the IRIS+ metric catalogue.
IFC Performance Standards	IFC Performance Standards	IFC's Performance Standards guide our sustainability risk mapping, and the topics considered for the **identification of material (adverse) impacts**.
UN environment programme finance initiative	UNEPFI	UNEPFI's materiality guideline and impact radar has informed the process and **methodology** for our sustainability risk mapping and identification of **material (adverse) impacts**.
European Commission	SFDR	NIF's fund is a designated **Article 9 fund** under the SFDR.

Investment process

NIF integrates impact and sustainability considerations throughout the investment process using structured tools and templates ensuring compliance with best practices and alignment across the portfolio.

	Phase	Core activity	Tool/output
Pre-investment	1 Sourcing	Pipeline building through local presence and long-standing relations in entrepreneurship, start-up ecosystem, and impact investment networks.	· Impact thesis
Pre-investment	2 Screening	Initial screening of impact potential and sustainability risks based on readily available information and documentation	· Impact screening · Exclusion list
Pre-investment	3 Assessment	Advanced assessment and rating of impact results and future potential as well as mapping and assessment of sustainability risks.	· Impact assessment · Sustainability risk assessment
Pre-investment	4 Structuring	Investment agreement incorporating alignment on impact potential, measures of success, risk mitigation plan, and value creation action plan.	· Value creation plan
Post-investment	5 Monitoring	Monitoring of key impact and risk metrics ensuring a maintained and/or increased focus on agreed impact case and active risk management.	· Impact and sustainability data template
Post-investment	6 Value creation	Strategic advice contributing to improved governance, investability, and impact and sustainability management systems.	· Value creation results tracker
Post-investment	7 Reporting	Reporting of achievements and learnings to shareholders, stakeholders, and partners.	· Impact report · SFDR reporting template
Post-investment	8 Exit assessment	Assessment of impact and risks related to exiting the investment.	· Exit assessment tool

1. Sourcing

NIF is committed to sourcing investment opportunities that align with our impact objectives through the following five avenues:

- **Applications** on the website directly from potential investees which are automatically screened and included in our database
- **Referrals** from portfolio companies, co-investors, and other stakeholders who are familiar with NIF's investment strategy and impact thesis
- **Networks** in impact entrepreneurship ecosystems where we can keep an eye on latest innovations, trends, and challenges
- **Mapping** and landscape studies based on an impact hypothesis to seek out investable business models and companies addressing issues experienced by our target group
- **Scouting** by our colleagues on the ground

Through our local presence and long-standing relationships within the entrepreneurship, start-up ecosystem, and impact investment networks, we source investment opportunities that are deeply embedded within the target communities. This local engagement helps identify businesses that have a genuine commitment to social and environmental impact.

2. Screening

In the initial screening phase, NIF conducts a rapid screening of the impact potential and sustainability risks of companies based on readily available documentation. This includes a) evaluating how the business aligns with our impact thesis and b) assessing the company's exposure to our exclusion list, including a high-level identification of material topics for the future sustainability risk assessment.

To conduct this screening, we use a structured screening tool which considers the following aspects:

	Impact potential	Sustainability risks
Key considerations	• Who does the company/solution benefit? • What social and environmental outcomes does the company/solution contribute to? • How committed is the founder/management towards impact?	• Is the company exposed to any exclusion criteria directly or indirectly through its value chain? • What are potentially material topics to consider during the due diligence phase and sustainability risk assessment?
Tools	• Impact screening	• Sustainability risk screening (exclusion list)

If violations to the exclusion list are identified or if the company is not contributing to any of the impact objectives, NIF will not proceed with the investment opportunity.

3. Assessment

Impact assessment and rating

NIF employs a rigorous model for assessing impact and considers both the company's impact on the target population as well as NIF's contribution to the company in achieving this impact. The assessment framework includes four dimensions that evaluate the value created by the company: **Depth**, **Breadth**, **Inclusion**, and **Additionality** and two dimensions that evaluate the value that NIF brings to the company: **Financial Contribution** and **Non-financial Contribution**.

Every potential investee (and portfolio company) is scored on each dimension of impact on a one-to-five Likert scale. Ratings are compared with peers, with the existing portfolio, and, if we invest, with itself over time. This approach allows NIF to compare potential investments across different sectors and impact areas and track impact improvements over time.

Dimension	Considerations	Example indicators
Depth	To what degree does the company's product or service make a significant difference to the target group? – Is it transformative or just a marginal change for each individual?	• Change in disposable income • Change in financial resilience • Change in climate adaptation and resilience
Breadth	How many people are affected by the company's activities? – How many people can be reached?	• Number of impacted individuals (e.g. clients and/or suppliers) • Scalability
Inclusion	To what degree does the company reach underserved population groups? – Does it serve or source from women, smallholder farmers, low-income population groups etc.)	• Proportion of low-income people • Proportion of women
Additionality	To what degree would the impact have happened without the company? – How many comparable products/services exist?	• Innovative aspect of solution • Underservedness of target group / number of competitors

Financial contribution	Would this company likely have accessed finance from other sources if not NIF? – How will the company leverage NIF finance to increase depth, breadth, inclusion, or sustainability?	• Financial need • Investor interest • Financial gap in sector / area
Non-financial contribution	How can NIF leverage its expertise, experience and network to address challenges the company is facing? – How will the company leverage NIF expertise to increase depth, breadth, inclusion, or sustainability?	• Non-financial needs • NIF expertise/experience • Linkages with existing portfolio

Companies are rated based on the following scores.

	Score	Rating	Conclusion
Company impact	< 12	Low	NIF will not invest
	12 – 15	Medium	NIF may invest
	> 15	High	NIF may invest
NIF contribution	< 4	Low	NIF will not invest
	4 - 7	Medium	NIF may invest
	> 7	High	NIF may invest

Sustainability risk assessment and rating

In parallel, NIF conducts a comprehensive sustainability risk assessment. This process identifies material sustainability risks — both to the company's commercial viability and its potential adverse effects on society and the environment. The sustainability risk assessment is inspired by UNEPFI's European Sustainability Reporting Standards (ESRS) and Interoperability Package (adjusted to suit the needs and context of NIF) as well as aligned with the EU's Sustainable Finance Disclosure Regulation to enable monitoring and disclosure of required sustainability risks and adverse impacts. Lastly, the assessment includes an evaluation of the company's gender equity and more specifically whether it complies with at least one of the 2X Challenge Criteria. The table below summarises the core considerations at organizational/operational and supply chain level.

Dimension	Considerations for organization/operations	Considerations for supply chain
Environment	How does the company's operations and product/service affect the natural environment, e.g. through production practices, distribution channels, or product life cycle	What environmental adverse impacts are the company exposed to in its value chains? E.g. through manufacturing practices or farming practices of sourced components
Social	How does the company's operations and product/service affect people, e.g. through labour practices, human resource management, or direct contracting terms with suppliers or clients	What social adverse impacts are the company exposed to in its value chain? E.g. through harmful child labor or working conditions of suppliers
Governance	How does the governance practices affect the people and planet, e.g. what are the policies and practices in place to address potential conflicts of interest, aligning with local regulation, and addressing potential incidences	What governance risks are the company exposed to in its value chain? Does it operate in or depend on sectors characterized by conflicts or reputational risks?

Companies are rated based on the following results.

	Result	Rating	Conclusion
PAI reporting ability	Not able to report	Low	NIF will not invest
	Reports on most PAIs	Medium	NIF may invest
	Reports on all PAIs	High	NIF may invest
ESG risk management rating	Material violations and unsatisfactory mitigating factors	Low	NIF will not invest
	Exposure to risk, with acceptable mitigating factors	Medium	NIF may invest
	No or limited exposure with appropriate mitigating factors	High	NIF may invest
Compliance with 2X criteria	No	No	Action plan required
	Yes (minimum 1 criteria)	Yes	Action plan not required

ISMS assessment and rating

In addition, NIF assesses the company's ability to define, measure, manage, and report its positive impact as well as sustainability risks by evaluating the company's impact and sustainability risk management system(s). The table below outlines key elements considered in the assessment.

Dimension	Considerations	
Define	ToC / materiality	To what extend does the company have a clearly articulated impact thesis outlining how its product, service, or business model contributes to positive impact for the target group? To what extend does the company have an evidence-based understanding of the potential adverse impacts the company is exposed through directly or through its value chain?
	KPIs / PAIs	To what extend does the company collect and monitor relevant KPIs speaking to the positive effects of its product, service, or business model? To what extend does the company collect and monitor relevant KPIs (Principle Adverse Impacts) speaking to the potential adverse impacts its product, service, or business model?
Manage		To what extend does the company have relevant policies and practices in place related to managing its positive and potential adverse impacts?
	Capacity and accountability	To what extend does the company have the required capacity and accountability mechanisms in place to actively manage its positive impact and sustainability risks?
Report	Transparency and comprehensiveness	To what extend does the company report its positive impact and risks in a way that is transparent and fully covers relevant areas (both positive and negative)?
	Verification	To what extend is the reporting methodology verified or verifiable by third party actors?

Companies are rated based on the following results.

	Result	Rating	Conclusion
Across the four dimensions	Not at par with maturity, need for improvement	Below expectations	Action plan required
	At par with maturity, but room for improvement	Fair	Action plan recommended
	Beyond what can be expected at maturity level	Beyond expectations	Action plan not required

The impact and sustainability risk assessments are conducted by reviewing documentation, through structured surveys, meetings with existing or co-investors, founders, management, and employees as well as site visits, including interviews with supply chain actors and clients.

Based on shortcomings or untapped potential identified during the impact and sustainability risk assessments, NIF and the company collaboratively develop a tailored value creation plan that outlines how NIF will provide advice and technical assistance to strengthen the company's capacity to deliver deeper, broader, and more sustainable impact.

4. Structuring

The investment agreement is structured to include clear alignment on impact potential, material risks, and measures of success. This includes specific impact metrics, ensuring that both NIF and the investee company are committed to achieving defined impact outcomes.

Building on the diagnostic of the assessment phase, NIF and the investee signs a letter of intent (value creation plan) outlining the strategic advice and support NIF will provide to enhance governance, investability, sustainability, and impact management as well as how the investee will commit to working with NIF to improve these areas.

5. Monitoring

NIF continuously monitors key impact metrics to ensure that the investee maintains or enhances its focus on the agreed impact objectives. This involves regular data collection and analysis to track performance against impact targets. Portfolio indicators are collected at least annually, and selected impact metrics deemed key levers of (impact) success for the portfolio company are collected at a frequency deemed relevant and feasible for the individual portfolio company (usually quarterly). NIF seeks to gather insights and evidence related to the key drivers of impact and sustainability performance, thereby feeding back into the investment process at the screening and assessment stages.

Based on the identified sustainability risks and their materiality, NIF implements a proactive risk management practice to address and mitigate any emerging sustainability risks.

6. Value creation

To support portfolio companies in scaling sustainably and enhancing their ability to generate significant social and environmental impact, NIF provides technical assistance and strategic advice to portfolio companies. The required support is defined in the due diligence phase and the mutual engagement is agreed in a letter of intent (value creation plan). The most common themes related to impact and sustainability are:

- Enhancing inclusion and gender equity of the company, its operations and/or products and services
- Strengthening the climate resilience of the company and its operations
- Maturing impact measurement and management systems, including improving data, governance, and management structures

7. Reporting

The guiding principles of NIF's reporting practice are:

- **Transparency**: Data access and quality is among the main challenges for quality impact reporting – especially for unlisted SMEs in developing markets. Accepting that the data foundation is imperfect, NIF strives to present results in a transparent manner outlining our level of confidence for each result.
- **Credibility**: NIF operates in a complex system with multiple actors contributing to the ultimate impact achieved, therefore, we strive to attribute impact according to our investments and activities (e.g. to avoid double counting among co-investors).
- **Enterprise-friendly**: NIF portfolio companies are committed founders whose primary purpose is to generate the intended impact while running a healthy business. We seek to ensure that our reporting requirements are as lean and relevant as possible to allow the portfolio companies to maintain their focus on the day-to-day operations while providing useful insights (to NIF and the company).

- **Industry-alignment**: While there is no single standard for impact measurement, some standards are increasingly being adopted by the impact investment industry. To contribute to increased harmonization and alignment (and comparison of performance across funds and investors), NIF seeks to align with international standards, where feasible and relevant.

NIF tracks a wide range of impact objectives at portfolio level in line with our commitment to achieving social and environmental objectives. Company specific metrics are aggregated to portfolio level to ensure relevance at company level and coherence at portfolio level.

NIF publishes an impact report annually, highlighting activities, results, learnings, and potential adjustments to our impact measurement and management system. NIF's impact reporting practice is aligned with best practices in the impact investment industry, such as BlueMark's publication from 2022.

8. Exit

Before exiting an investment, NIF conducts and exit assessment considering:

- **Risks**: Conducting a thorough assessment of the impact and risks associated with exiting the investment. This includes evaluating how the company will sustain its impact without NIF's engagement and identifying potential risks that could arise post-exit.
- **Preservation**: Ensuring that the exit strategy preserves the impact created during the investment period, such as through finding buyers who share a commitment to impact or implementing impact-linked covenants

Annex A: List of tools and templates

Tool/template	Investment step	Objective	Latest update
Exclusion list	Screening	Ensure compliance with NIF (and our investors') exclusion criteria	November 2024
Impact screening template	Screening	Ensure contribution to NIF impact objectives	November 2024
Impact assessment tool	Due diligence	Understand extend of impact potential	November 2024
Sustainability (risk) assessment tool	Due diligence	Understand sustainability risks and mitigation plan	November 2024
Value creation letter of intent	Structuring	Align expectations on priorities related to impact and sustainability, including NIF's contribution	November 2024
Monitoring tool	Investment period	Monitor impact and principle adverse impacts at quarterly and annual frequency	November 2024
Reporting template	Investment period	Receive appropriate data for NIF impact reporting and SFDR compliance	November 2024
Exit assessment template	Exit	Ensure sustained impact beyond NIF's investment and integrate learnings in future investments	November 2024

DNB Asset Management

Sustainability Risk Integration Guidelines

Summary

These guidelines are applicable to DNB Asset Management (DNB AM).

The aim of this document is to describe how DNB AM integrate sustainability risks into investment decision processes, as per Article 3 of the Sustainable Finance Disclosure Regulation (SFDR)[1].

SFDR defines sustainability risk as "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment".

Integration of environmental, social and governance risk factors into the investment decision making process is a part of our fiduciary duty towards customers and stakeholders. As a responsible investor with a long-term view, we aim to provide high, long-term returns, at an acceptable level of risk.

Sustainability risk is managed by several measures:

- Integration into policies, procedures and expectation documents, including the Group Instruction for Responsible Investments which applies to all funds and portfolios managed by DNB AM.
- Regular screening to uncover potential product violations, breaches of international norms and standards and/or material sustainability risks.
- Standard setting to highlight best practice for managing sustainability risks, including developing expectations documents.
- Active ownership through dialogues and voting to prevent breaches of the Group Instruction, mitigate sustainability risks and encourage companies to take advantage of sustainability-related opportunities.
- Integration of quantitative and qualitative sustainability data into portfolio management systems to ensure that analysts and portfolio managers have access to relevant information about sustainability risks enabling them to take these risks into account in the investment decision making process.
- Monitoring by the Independent Risk department on relevant metrics such as sustainability indicators and requirements that are mandate specific.

The guidelines prescribed in this document apply, in principle, to the entire asset management in DNB AM. Nevertheless, there are some specific and divergent guidelines for certain product types, which are further detailed under the heading "Particularities of certain product types".

This version of the document (5.0) applies as of February 2025. It will be reviewed annually.

DNB Group Instruction for Responsible Investments

The DNB Group Instruction for Responsible Investments (Group Instruction) seeks to ensure that assessments of sustainability risk factors are integrated into investment decision-making processes. The Group Instruction is based on international norms and standards, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises. The Group Instruction covers all asset classes and financial investments throughout the Group, including companies established under

[1] 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.

DNB AM. Some specific and divergent guidelines for certain product types are further described under the heading "Particularities of certain product types".

Based on the Group Instruction, companies will be excluded from DNB AM's investment universe and portfolios if they themselves or through the entities they control:

- produce weapons[2] which through normal use violate basic humanitarian principles;
- produce tobacco;
- produce cannabis for recreational use, or
- produce pornography.

Companies which derive 30 per cent or more of their income from oil sands extraction, as well as mining companies and power producers which themselves or through entities they control derive 30 per cent or more of their income from thermal coal, or base 30 per cent or more of their operations on thermal coal, may also be excluded from the investment universe. In addition, companies which either extract more than 20 million tonnes of thermal coal or have a power generating capacity of more than 10 000 MW from the combustion of thermal coal, may be excluded from the investment universe or placed under observation. In addition, emphasis will be placed on forward-looking assessments of the companies, including any plans which will change either the level of thermal coal extraction or the level of power generating capacity derived with thermal coal, and/or reduce the share of their income or operations derived from oil sands or thermal coal, and/or increase the share of their income or operations derived from renewable energy sources.

Further, companies may be excluded from the investment universe if there is an unacceptable risk that a company contributes to or is responsible for:

- serious or systematic violations of human rights;
- grave violations of individual rights in wars or conflict situations;
- the sale of weapons to states engaged in armed conflict that use the weapons in ways that constitute serious and systematic violations of international rules on the conduct of hostilities;
- the sale of weapons or military materiel to states that are subject to investment restrictions on government bonds from countries subject to sanctions imposed by the UN Security Council;[3]
- serious violations of basic labour rights;
- grave harm to the environment;
- acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions;
- serious corruption, or
- other particularly critical violations of basic ethical norms.

DNB AM will also not invest in government/sovereign bonds from countries subject to sanctions imposed by the UN Security Council. In addition, for all financial investments, DNB AM will respect sanctions (from the UN, EU, US (OFAC), UK, Japan, Australia, Canada and other local sanctions regulations if they are relevant) applicable to financial investments in DNB AM.

[2] DNB must not invest in companies that are involved in anti-personnel mines and cluster munitions, as described in the Anti-Personnel Mine Ban Convention and the Convention on Cluster Munitions, or in companies that develop and produce key components for weapons of mass destruction. Weapons of mass destruction are defined as NBC weapons (nuclear or atomic, biological and chemical weapons).

3 May also include other international measures of particularly large scale aimed at a specific country where Norway has supported the measures.

The responsible investment team gathers, processes, reviews, and presents ESG assessments and analyses for DNB's Committee for Responsible Investments. The Committee adopts recommendations on exclusion and re-inclusion based on the exclusion criteria in the Group Instruction. Decisions on exclusion and re-inclusion are made by the CEOs of DNB AM and DNB Liv. The Group Instruction for Responsible Investments is owned by the Head of Group Finance Sustainability.

Responsible Investment Approach

Standard setting
Developing and publishing expectations documents is an important part of our standard setting work. These documents outline how various sustainability issues are interpreted and are the basis for communicating our expectations to companies regarding best practice. In addition to this, the expectations documents are often the starting point for engagement with companies about relevant sustainability risks and opportunities, both proactively and reactively. We make all our expectation documents publicly available through our website.

Screening
The investment universe is carefully screened, considering the DNB Group Instruction for Responsible Investments, seeking to identify and manage sustainability risks and opportunities. The funds and portfolio investments are screened on social, environmental and ethical criteria based on the following internationally recognised guidelines and principles:

- the UN Global Compact
- the OECD Guidelines for Multinational Enterprises
- the United Nations Guiding Principles on Business and Human Rights
- the Ottawa Convention (international agreement on the prohibition of anti-personnel mines)
- the Convention on Cluster Munitions.

We screen companies prior to inclusion into our investment universe, quarterly for benchmark rebalancing, and on a daily basis for changes to ESG ratings/factors or alerts on potential and/or realized breaches in international norms and standards. The purpose is to uncover potential product violations, breaches of international norms and standards and/or other parameters for material sustainability risks. Based on the screening, and in-house research (which is based on additional sources of information), we highlight potential sustainability risks and opportunities to the portfolio managers in addition to alerts on controversial issues. This way, screening functions as a foundation for the other pillars of our responsible investment approach, such as active ownership.

Active ownership
Company engagement and proxy voting are key elements of DNB AM's active ownership approach. We engage with companies both on specific incidents and to improve companies' general performance on sustainability-related issues, which may otherwise lead to financial underperformance. Engagements may either take place directly with companies, through our external service provider on engagements or in collaboration with other investors. Company dialogues, both reactive (incident-based) and proactive (risk mitigation) are top priorities to ensure that companies we invest in do not breach our Group Instruction.

To prioritize which incidents to engage on, we assess the severity of the potential breach, our ownership status in the company and the probability that our engagement will contribute to improve the situation.

We utilise different sources of data, alerts, and research from external consultants, brokerage firms and NGOs, and supplement this with our own research to make a final, informed decision.

The DNB AM voting guidelines state that we aim to vote at all Norwegian general meetings for listed companies we have ownership in, all annual general meetings for companies we have in our listed funds and all annual general meetings where a shareholder proposal is on the docket. Refer to specific product types under the heading "Particularities of certain product types".

Voting will primarily happen by proxy, but we will physically attend shareholder meetings in certain cases. Our proxy voting service provider facilitates the voting process by providing both standard voting recommendations, and tailored recommendations based on our own voting guidelines. We supplement this with internal research and perform quality checks of service providers recommendations to make sure we vote in accordance with our guidelines. We share detailed information on our voting activity, including voting per fund, through an interactive voting dashboard, available here.

Integration of ESG risk

All active funds managed by DNB AM utilise integration of ESG risks in investment decisions, although the process may differ between teams with different mandates. The Responsible Investments team works closely with portfolio managers, and key management teams have their own dedicated ESG analyst. ESG data is incorporated into DNB AM's portfolio management and information systems and is available to all our investment professionals. Portfolio managers use this data in their company risk assessments and investment decision making. The availability of data in the front office system also often acts a flag for the portfolio managers, triggering further investigation and discussion with the responsible investment team regarding potential risks and the financial effect of these. These discussions may in turn trigger actions such as additional investigation or engagement with the company and it might impact the investment decision.

When evaluating which company to invest in, the portfolio managers evaluate traditional factors such as financial statements and projections, business model, peer group analysis, competitive positioning, management and industry trends. In addition, the portfolio managers conducts a sustainability assessment by evaluating several E, S and G factors and how these presents potentially risks and opportunities for the particular company. The sustainability assessment is based on a double materiality assessment and includes factors such as the relevant PAI-indicators in line with the fund's SFDR requirements, CO_2 intensity/emissions of the company, ESG-scores from data providers and sell-side research.

Exclusions

Please see the chapter on the DNB Group Instruction on Responsible Investments for information about our exclusion criteria. Some funds have additional criteria beyond the Group Instruction and do not invest in companies with a significant portion of revenues coming from fossil fuels, conventional weapons, gambling, or alcohol production.

Before norms-based exclusions are decided, we aim to influence companies by actively exercising ownership rights as a first step. If the outcome of such activities is not satisfactory or the engagement period extends over two years with no change or progress in the company's activities, we might also exclude that company on these grounds. The list of excluded companies is publicly available at our webpages.

Transparency and Reporting

DNB AM strives to be transparent on our continuous work to manage sustainability risk. We report regularly on excluded companies, dialogues, voting activity and carbon footprint.

More information about our work in this area can be found in:

- DNB Group Annual Report 2023
- DNB AM Annual Report for Responsible Investments 2023
- Quarterly reports
- Principal Adverse Impact Statement
- PRI reporting framework
- Expectations documents
- List of excluded companies
- Active ownership section on our website

In addition, we regularly share updates on activities and news relating to our work on responsible investments on www.DNBAM.com.

Particularities of certain product types

Based on the characteristics of some product types offered by DNB Asset Management, there are certain exceptions to the principles presented above:

- **Individual portfolio management agreements**
  DNB AM exercises exclusions, voting rights, and other ownership powers based on what is stipulated in each specific management agreement.
- **Private Equity (PE)**
  A sustainability risk assessment is performed both for investments in PE fund vehicles and for direct investments, though the process differs from investments in listed fixed income and equity. A full description of screening and monitoring activities as well as information about the PE ESG assessment framework and how exclusion criteria is exercised for DNB AMs PE funds, please refer to the DNB Asset Management Private Equity ESG Guidelines.

Change log

Date	Version number	Comments / changes
March 2021	Version 1.0	First Sustainable Investment Policy created
June 2022	Version 2.0	Summary added, format changed, and general updates implemented
December 2022	Version 3.0	Name changed from Sustainable Investment Policy to Sustainability Risk Integration Policy. Minor adjustments to the text.
December 2023	Version 4.0	Updates in accordance with SFDR to cover all business areas. Changed name from "Policy" to "Guidelines".
February 2025	Version 5.0	Updates in links and minor adjustments to the text.

SUSTAINABILITY POLICY

Qblue Balanced A/S

1. Purpose and Principles

This policy sets out rules to ensure that Qblue Balanced A/S ("Qblue") is compliant with the regulation on investment set out in the Alternative Investment Fund Managers Act, Consolidated Act no. 231 of 1 March 2024, Commission Delegated Regulation (EU) No. 231/2013 as amended by Delegated Regulation (EU) 2018/1618 and Delegated Regulation (EU) 2021/1255, and Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR).

The Sustainability policy establishes Qblue beliefs and approach to the management of investments in order to achieve sustainability, covering the principles to which Qblue aspires, and the procedures implemented to integrate these principles into Qblue's business activities.

The aim of Qblue's Sustainability policy is to protect and grow the value of Qblue's investments by ensuring that the portfolio companies diligently mitigate risks and have the lowest possible capital costs, by acting responsibly, and at the same time encouraging companies to grow earnings by pursuing sustainable opportunities that support the goals of society and the global community. Qblue believes that sustainability is about meeting the needs of the present without compromising the ability of future generations to meet theirs, and at the same time recognizing that your contribution to society is instrumental in how you are assessed. As a consequence, sustainable investing is not only a question about avoiding investing in the companies that are part of the problem and who shows no signs of a fast transition, but just as much about investing in innovation and progress by identifying and investing in the companies best positioned to solve the world's biggest challenges.

We believe that a focused effort to reduce material adverse sustainability impacts and to integrate responsibility and sustainability into investments is a prerequisite for long-term healthy earnings – and thus for the preservation and growth of the real value of investments. In our view, a long-term sustainable business model taking all stakeholders' interests into account and a true understanding of the company's role in society, are key to success.

Qblue will seek to encourage companies, based on the business they conduct, to address relevant sustainability issues, to pursue relevant opportunities, to have in place fit-for-purpose guidelines and to apply control and follow-up systems to enable the business to be operated in a sustainable way.

Qblue's work on sustainability in investments encompasses a wide range of socially relevant issues in relation to environment and climate, social issues, and governance – the so-called Environmental, Social and Governance (ESG) issues. Climate, in particular has been singled out as a special area of focus. Additionally, Qblue's work on sustainable investments includes integration of the Sustainable Development Goals in investment processes. In totality, these topics define Qblue's sustainability factors.

2. Assumptions

Qblue's work on sustainable investments must be characterized by consistency, predictability, seriousness, and openness and must be based on facts rather than subjective assessments. Whenever possible, we will use quantitative measures to evaluate corporations' standards.

A starting point when evaluating the sustainability framework of a corporation, is often a comparison with absolute standards or best practices, but this cannot stand alone. When selecting which companies to invest in and engage with, Qblue will also consider a company's proven ability and commitment to continuous improvement on sustainability factors.

To a great extent, Qblue's Sustainability policy is based on stringent criteria, as it refers to politically adopted structures in the form of national legislation, international agreements and widely accepted norms.

3. Sustainability Committee

Qblue's work on sustainability is coordinated in a special internal Sustainability Committee. The members of the Sustainability Committee are: the Executive Management, the Sustainability Manager, the Risk Manager, the Compliance Officer, and the relevant Senior Portfolio Manager(s). If deemed appropriate Executive Management can appoint other employees as members. The Sustainability Committee is chaired by Qblue's Chief Commercial Officer.

The Sustainability Committee is responsible for making the necessary decisions, delegating responsibilities, and establishing processes which ensure compliance with Qblue's Sustainability policy, including making sure that appendices 1-5 to the policy are updated on an ongoing basis. In addition, the Sustainability Committee is responsible for making the necessary decisions and establishing processes which ensure compliance with Qblue's Engagement policy. The Sustainability Committee must strive to ensure that sustainability assessments are made on a factual basis and that the assessments are as objective as possible. In addition, the Sustainability Committee is the coordinating point for Qblue's internal discussions on the development in the area of sustainability.

The Sustainability Committee is responsible for, on an ongoing basis, assessing whether the organization possesses the necessary and required knowledge regarding sustainability. At least once a year, this is an agenda item at the Sustainability Committee meetings.

Finally, the Sustainability Committee is the coordinator of Qblue's ongoing work to strengthen its research, initiatives and actions in this area. This applies, for example, in relation to decisions on further analyses of individual companies or special problem areas, approval of new processes which ensure compliance with Qblue's policies and in relation to the decisions to examine alternative methods and new focus areas.

The ordinary Sustainability Committee meetings take place on a quarterly basis. If needed, the Sustainability Committee meets between ordinary meetings.

4. Integration in investment practice

Qblue makes use of a multifaceted three step process when integrating the sustainability policy into investment practice. The process is subject to continuous evaluations and improvements and is expected to evolve over time. Below the three steps are laid out.

4.1 Step 1: Engagements and Exclusions

First step is to identify the companies in the universe with which to engage and which to exclude.

Engagements

We believe that engagement is generally the best strategy for contributing to the strengthening of sustainability and responsible behaviour in companies. Therefore, Qblue engages in dialogue with a selected number of companies in which we have invested.

In selecting the companies with which we choose to engage, the criteria considered are i) the importance of the sustainability issue in question, ii) the likelihood of achieving a positive impact or improvement by engaging, and iii) the size of Qblue's investment in the company. As our investments grow, we expect to increase the number of companies with which we engage. In determining the importance of an issue in i), the extent to which the issue forms a sustainability risk[1] and/or has a material adverse environmental or social impacts is taken into account.

In the Engagement policy this is described in further details.

Exclusions

Even though Qblue as a general rule finds engagement more effectful than exclusion, there are certain situations where exclusions are selected. Qblue does not invest in companies that intentionally and repeatedly violate rules laid down by national authorities on the markets in which the company operates or by central international organizations generally endorsed by the global community.

Qblue does no invest in specific securities, including central government debt securities, which are covered by EU or UN sanctions. In addition, and in order to reduce the risk of investing in securities where the sustainability risk with regard to money laundering, bribery, terrorist financing, and tax avoidance are deemed unacceptable, Qblue does not invest in securities issued by governments or companies domiciled in such countries. The current list of Countries Ineligible for Investments is attached as Appendix 1 to this policy.

[1] A '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 investment

Information that an investee company has – or is suspected of having – breached Qblue's policy typically forms the basis for an engagement process. This includes a further investigation of the accusations and - if these are confirmed to be valid - Qblue will decide whether to engage with or exclude the company.

From time to time, situations may arise in which it is either not possible to reach an unequivocal conclusion about a sustainability issue or the costs of doing so are deemed too high. Consequently, Qblue might choose not to invest in a company based on a sustainability risk assessment.

The current list of excluded companies is attached as Appendix 2 to this policy.

The fact that a company has been excluded prevents Qblue from buying any additional securities issued by the company and a divestment plan of existing holdings of such companies has to be made. An exclusion of a company does not prevent Qblue from holding a short position in such a company.

4.2 Step 2: Industry Sustainability Risk assessment

The second step is to identify industries or sub-sectors with unwanted inherent sustainability risks where mitigation is deemed insurmountable ("Excessive Sustainability Risk Industries").

In this step we take a closer look at companies in industries or sub-sectors of industries, where the activities or products of the companies cause severe negative externalities to society and mitigation is insurmountable or very difficult, i.e., an investment would be associated with a material adverse environmental or social impacts and/or an unwanted sustainability risk. Investments in these industries or sub-sectors typically come with an uncompensated risk, making such investment less attractive from a financial point of view as well. As governments, consumers and investors increasingly focus on these negative externalities and adverse impacts associated with certain industries, the companies in such industries might face future economic sanctions as well as reputational risks, both being harmful to their business models.

If an industry or sub-sector is deemed to belong to this category, Qblue will refrain from buying any additional securities issued by companies in this industry or subsector and a divestment plan of existing holdings of such companies has to be made. It does not prevent Qblue from holding a short position in such a company.

The current list of Excessive Sustainability Risk Industries is attached as Appendix 3 to this policy.

As mitigation of sustainability risk and material adverse sustainability impact issues is a viable option in most industries, inclusion on the Excessive Sustainability Risk Industry list is expected to affect relatively few industries or sub-sectors.

4.3 Step 3: Measurement for sustainability risk – the Sustainability Cube™

Even though the processes described in step 1 and 2 are designed to significantly reduce sustainability risk, either by engagement or exclusion, the remaining sustainability risk in the investable universe will differ considerably between companies. Furthermore, step 1 and 2 do not specifically identify the companies with a strong sustainability standard (i.e., a very low level of sustainability risk or a high level of “sustainability opportunity”[2]). In order to deal with this, Qblue has developed a proprietary framework named The Sustainability Cube™ , where all companies in the investment universe are scored and ranked according to their sustainability standards. Low scores are given to companies associated with a high level of sustainability risk and a low level of sustainability opportunities, while high scores are given to companies with a low level of sustainability risk and a high level of sustainable opportunities.

In designing the The Sustainability Cube™ framework and the associated “The Sustainability Cube Score™” the objective has been to create a robust and balanced measurement. In order to achieve this, it has to be considered that creating societal value and being sustainable (i) is a multi-dimensional effort, (ii) requires a broad range of supplementary data and data quality enhancements, as sustainability data are short, incomplete and noisy, (iii) is a dynamic process and changes over time, and (iv) should be measured based on the companies’ current position as well as the forward looking trajectory, as they are both relevant in measuring sustainability risk and may very well differ, and if possible with the addition of measures of sentiments and perceptions of the companies’ sustainability standards.

As a consequence, Qblue will on an ongoing basis decide on:

(1) How many and which dimensions of sustainability are to be included in the The Sustainability Cube Score™ (As of June 2022 the following three dimensions are included: i) A ESG Industry Leadership Score, ii) A Climate Transition Score, and iii) A “SDG”[3] Alignment Score

(2) Which measures and data are to form the sub-scores in each dimension, broken down into measures related to a) current position b) forward looking trajectory (or future position), and if relevant and available c) sentiment data

(3) The weights assigned to each of the measures mentioned in (2) above

(4) The method and weights assigned to dimensional sub-scores in order to calculate an overall score on sustainability risk (The Sustainability Cube Score™)

(5) The current framework and weight regarding point (1)-(4) above (The Sustainability Cube™ Framework) is attached as Appendix 4 to this policy

5. Policy to Identify and Prioritize Principal Adverse Sustainability Impacts

As described in section 4, it is an integrated part of the procedures to consider principal adverse sustainability impacts of investments. In the following, our procedures to identify and prioritize Principal Adverse Sustainability Impacts are described.

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[2] “Sustainability opportunity” means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material positive impact on the value of the investment

[3] SDG meaning United Nations’ Sustainable Development Goals

5.1. Identification of Principal Adverse Sustainability Impacts

In identifying principal adverse sustainability impacts, Qblue considers adverse impacts on a broad range of environmental, social and governance issues. The methodology used follows the three steps described in section 4 above:

i) The first step is to identify material adverse sustainability impacts caused by material breaches of the international treaties and standards applied by Qblue in the areas of human rights, labor conditions, environment and bribery. The method applied to identify material adverse sustainability impacts in this step is to use a competent and reliable external partner to screen all companies in the portfolios managed by Qblue and flag any issues identified. Flagged Companies with materiel breaches in these areas are identified in step one under paragraph 4 above. All of these cases are viewed as having a severe principal adverse sustainability impact that has already occurred.

ii) The second step is to identify industries or sub-sectors with unwanted inherent sustainability risks and severe principal adverse sustainability impacts where mitigation is deemed insurmountable (“Excessive Sustainability Risk Industries”). The methodology used to identify the excessive sustainability risk industries is an ongoing qualitative review of industries by the Sustainability Committee. Industries in this category is most likely associated with a high likelihood of occurrence of severe adverse irremediable impacts. Companies operating in these industries are viewed as having a severe principal adverse sustainability impact.

iii) The third step is to identify the measures in the Sustainability Cube Score™ associated with a principal adverse sustainability impact in all dimensions of sustainability. This includes a broad variety of different measures covering e.g., social standards, environmental standards, climate impact, and governance issues. The methodology used in this area is quantitative. For each measure covering a certain adverse impact an indicator is defined and a score is assigned. A low score is associated with a more likely, and more severe adverse impact. The measures, including the indicators used to identify adverse material sustainability impacts, and the data sources are attached as Appendix 5 to this policy.

All three methodologies described above come with a certain margin of error. Step i) and ii) focus on a relative limited number of companies with identified severe material adverse impacts, which is helpful in relation to dealing with these companies, but does not consider the larger number of companies with material but not necessarily severe adverse impacts. This is handled in step iii) where a very large number of companies are scored based on quantifiable indicators and measures. Even though a broad range of current and forward looking measures are used in order to identify not only realized adverse impacts, but also potential adverse impacts, the method comes with a certain margin of error, partly due to the fact that some degree of green washing in company reported statements and goals are hard to avoid, partly due to the fact that data are often incomplete and noisy, and partly just because forecasting potential i.e. future adverse impacts comes with a certain risk margin.

5.2. Prioritization of Principal Adverse Sustainability Impacts

Qblue takes principal adverse sustainability impacts into consideration across all financial products managed. The adverse impacts identified under 5.1, i) and ii) are taken into consideration across all products managed, and are integrated into the investment procedures for all products, in accordance with the decisions made by the Sustainability Committee regarding exclusions and engagement.

In relation to the adverse impacts identified under 5.1, iii) the Investment Committee is, for each financial product managed, responsible for deciding how to take these adverse impacts into consideration, and how to integrate this into the investment process for each product, depending of the type of product considered. The Sustainability Committee can in some cases decide to engage or exclude, based on information identified under 5.1. iii). In this case, the decisions will affect all products managed, and be integrated into the investment procedures for all products.

In order to prioritize the effort regarding the large number of adverse sustainability impacts identified, Qblue has established core two principles:

- When considering the severity of an adverse impact, we give higher priority to companies with a multitude of adverse impacts in a certain area, than to companies with a single issue. As a consequence we prefer to combine areas of adverse impact into scores including more than one underlying area of adverse impact (e.g. creating a “social” score covering a range of different adverse impacts across different topics all related to social sustainability factors).
- Regarding the prioritization between different indicators covering different areas of sustainability, the starting point is the weights, assigned by the Sustainability Committee to each area in the Sustainability Cube™. If a product managed has a special sustainability focus area (e.g. climate), the Investment Committee can recommend the Sustainability Committee to decide to change the prioritization of focus on adverse impacts.

6. Review

This policy shall be reviewed at least once a year by the Board of Directors.

7. Approval history

This policy was approved by the Board of Directors on 25 April 2025.

Version:	Effective from:	Changes:	Performed by:
1	26 August 2019	New policy	Board of Directors
2	3 March 2021	Updated with Sustainability Cube and EU SFDR requirements	Board of Directors
3	4 March 2022	No changes	Board of Directors
4	19 April 2023	Sustainability Manager added to Sustainability Committee	Board of Directors
5	25 April 2024	No changes	Board of Directors
6	25 April 2025	No changes	Board of Directors

Nordea

Document Title	**Sustainability Risk Policy**	**2025**	Approval Date
Adopted by	The Board of Directors of Nordea Pension Foundation adopted this policy on 20th May 2025.	**1 (3)**	Page

Owner Responsible Person	The Board of Directors of Nordea Pension Foundation is responsible for making sure that this policy is implemented and complied with and that the document is updated when needed (at least every third year).
References to external rules	This policy is derived from the following external rules: • Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)

1 Background

The Foundation grants defined benefit supplementary pensions to its members. The Foundation is closed to new members. Foundation's target is to secure decent return on assets covering the liability taking into account diversification and liquidity.

2 Purpose and scope

Nordea Pension Foundation (the "Foundation") has adopted this Sustainability Risk Policy (the "Policy") with the purpose of providing the principles and the overall rules for the management and control of sustainability risk in the Foundation.

3 Definitions

Sustainability risk is defined as an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the Foundation's investments.

Investments in the Foundation's portfolio is article 8 excluding article 6 fund established during 2024. However, the mandate as a whole is classified as article 8 in accordance with SFDR.

4 Sustainable investment principles

The Foundation takes sustainability risks into account in accordance with the principles for responsible investment. The principles for responsible investment are followed in all asset classes, incl. fixed income investments and equities, with their special characteristics in mind.

The objective of asset management is to ensure a stable and positive long-term development of the Foundation’s assets in a responsible manner. A further objective is to mitigate long-term sustainability risks and create value by finding sustainable and attractive investments.

The Foundation strives to contribute to the transition towards a sustainable future through investments in sustainable solutions and activities that are creating positive, measurable and sustainable impacts on society while simultaneously delivering attractive returns.

According to the Foundation’s view, incorporating sustainability risks in the investment decision-making process can enhance the risk-adjusted returns of the investments.

5 Sustainability risk integration

Due to the nature and size of the Foundation as well as its purpose to secure pension commitments issued by Finnish entities within the Nordea Group, the Foundation has chosen not to manage its own assets.

The Foundation has engaged Nordea Investment Management AB, Finnish branch (NIM) to manage the Foundation’s investments in accordance with a discretionary portfolio management agreement. The sustainability-risk-related issues are handled by NIM, which continuously makes decisions about the Foundation’s investments within the framework of the agreement.

NIM regularly attends the Foundation’s board meetings, where NIM presents the portfolio’s development and reports on any relevant market events and market prospects, which can potentially affect the portfolio in both the short and long term. In addition, matters related to sustainability risks and the principal adverse impacts that affect sustainability factors in investment decisions and how they have been integrated in NIM’s investment decision-making, are also reported on in the meetings as required. NIM is member of Net-Zero Asset Manager Alliance and Climate Action 100+.

Property-related sustainability risks are essentially dependent on environmental considerations. Foundation’s has acquired 2021 green electricity certificate and has joined as member of the Green Building Councel Finland Ltd.

6 Investment decision-making process

The foundation carries out its investment activities through asset managers in accordance with the wealth management agreement. Asset managers must take sustainability risks into account in the investment decision-making process when creating and monitoring portfolios. The Foundation's Board of Directors monitors sustainability risks regularly.

International ESG conventions and norms (Such as UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and The ILO conventions on labor standards) are considered in the asset manager's reporting, investment analysis, decision-making processes and governance.

The investments shall be in accordance with the asset manager's most recent Responsible Investment Policy. Policy is available at NIM web-pages: [ESG-RI-PL_eng_INT.pdf (nordea.lu)]

The Foundation's investments comply with the Responsible Investment Policy. That means that the Foundation does not invest in companies whose net sales are based on products or services related to, for example, chemical weapons or nuclear weapons. The Foundation also does not invest in companies that breach international norms and are not willing or able to change their activities to comply with the norms. The policy followed by the Foundation also excludes investments in coal, oil or oil sands. The tobacco sector is also excluded from the investment universe.

NIM engages in active ownership and dialogue and uses them as key tools to raise ESG issues and achieve improvements. NIM is also required to follow an active ownership policy, which includes participating in and voting at general meetings, acting on nomination committees and holding a dialogue with companies.

7 Paris-Aligned Fossil Fuel Policy (PAFF)

The Foundation complies with the Paris-Aligned Fossil Fuel Policy in its investments. Based on the Policy, fossil companies are excluded from the investment universe if they do not have a credible strategy for alignment with the Paris Agreement. The Foundation does not invest in companies that derive more than 5 per cent of total revenues from oil or natural gas extraction or coal mining. Respectively, the Foundation does not invest in funds or other financial instruments that invest in the companies specified above.

The Foundation also does not invest in companies that are involved in unconventional oil or natural gas production or electricity utilities with no plan to phase out the use of coal. Respectively, the Foundation does not invest in funds or other financial instruments that invest in the companies specified above.

Certified green electricity has been acquired 2021 for real estates, through which the electricity consumption of real estates is going to be carbon-free.

8 Principal adverse impacts

The Foundation takes the main adverse impacts into account in its investment activities and publishes the notifications required by regulation.

NIM shall consider principal adverse impacts (PAIs) of investment decisions on sustainability factors and publish and maintain on its website a statement on due diligence policies with respect to those impacts. PAIs of investment decisions on sustainability factors are primarily considered via the asset manager. On request, NIM shall provide to the Foundation the necessary information, so that the Foundation can issue a PAI statement, or by other means facilitate the issuance of the statement.

9 Reporting

Foundation reports SFDR report on sustainable financial activities once a year accordingly with EU standards including PAI (Principle adverse impact) notification. In addition, the Foundation publishes information on sustainable investments on its financial product in a manner that complies with regulation.

Foundation reports annually at the Financials Statements its activity report of responsible investments based on NIM’s reports.

10 Reward policy

Success in investment activities is not rewarded. The fees for investment activities have been agreed on with the asset manager in a discretionary portfolio management agreement.

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Sustainability Risk Integration Policy

CAIXABANK ASSET MANAGEMENT S.G.I.I.C., S.A.U.

June 2025

CaixaBank
ASSET MANAGEMENT

Document version control

Responsibility: SRI Department. Sustainability Area

Versión	Fecha	Control
1	09/03/2018	Document Created.
2	10/07/2020	In-depth review and update of the structure and content, noting: Adaptation to the Environmental Risks Management Policy Updating the ESG aspects inclusion model.
3	11/02/2021	Policy amendment to adapt to Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.
4	07/2022	Adaptation to the Corporate Sustainability / ESG Risk Management Policy. Incorporates and replaces the Environmental Risk Management Policy and the Defence Sector Relationship Policy.
5	09/05/2024	Policy update Incorporation of the Declaration on Nature and the reduction of the thermal coal threshold.
6	28/5/2025	Policy update in alignment with the Corporate Sustainability / ESG Risk Management Policy of March 2025. Incorporation of a new restriction on companies connected to coal mining expansion projects or development of new coal-fired power generation capacity. Expansion of detailed restriction on defence and Human Rights Incorporation of a new line of action, engagement with issuers.
7	19/6/2025	Within the sectoral criteria and by activities established in the ASG risk management framework and, in particular, defense and security (section 6.4.5), the current content on exclusions and restrictions is limited. In this sense, the current restriction to invest in companies manufacturing defense equipment that exceed the threshold of 35% of income derived from conventional armament is removed.

Summary

1 Introduction

1.1. Background

CaixaBank, S.A. (hereinafter, "CaixaBank" or "the Entity") and the other companies that make up the CaixaBank Group (hereinafter, jointly with CaixaBank, "the CaixaBank Group" or "the Group"), among which include CaixaBank Asset Management SGIIC, S.A.U. (hereinafter, "CaixaBank AM" or the "Management Company") work to optimise the relationship between return and risk, and to avoid, minimise, mitigate and remedy – as far as possible – those factors that could pose a significant risk to the environment or the community in accordance with the highest standards of responsibility. The Group therefore integrates environmental, social and governance (hereinafter "ESG"[1]) criteria into its business decisions so as to mitigate risks and support business projects that align with its corporate values.

Updating this Sustainability Risk Integration Policy ("Policy") takes place in a context of society's greater awareness and concern for the sustainability of the economic model and long-term growth, which is resulting in the constant development of regulations and expectations in this area, both general and specific to the potential contribution of the financial sector to mitigate adverse effects.

It is considered that financial institutions can have a significant impact on working towards achieving the Sustainable Development Goals (hereinafter, "SDGs"), insofar as some of the sectors they finance, invest in or serve may be controversial and must and will face multiple restrictions, challenges and transformations to their business models and technologies in upcoming years, either by adjusting to the preferences of their consumers or due to regulatory pressure.

This is why it is key for CaixaBank AM to identify, measure, assess, manage, control, mitigate and report the ESG risks associated with the Management Company's activity.

In this vein, CaixaBank AM has developed a Sustainability Risk Integration model based on three fundamental pillars:

- the incorporation – in addition to the traditional financial criteria – of environmental, social and corporate governance aspects into the investment analysis and decision-making processes
- the long-term engagement of the Management Company with the companies in which it invests, by exercising its voting rights at General Shareholders' Meetings ("proxy voting")
- dialogue with listed companies on material or controversial issues relating to ESG factors ("engagement")

In 2011, CaixaBank AM formally signed up to the United Nations Global Compact as a sign of its commitment to sustainability, pledging to support and apply the ten principles related to human rights, labour rights, the environment and anti-corruption.

Subsequently, in 2016, CaixaBank AM strengthened its commitment by signing up to the Principles for Responsible Investment (PRI), an initiative from the investment community promoted by the United Nations, whose ultimate goal is to contribute to developing a more stable and sustainable financial system through the implementation of the six defined principles.

1 Hereinafter, ESG risks are referred to as equivalent to sustainability risks.

It is felt that implementing this model can have a positive effect on companies' results in the long term and contribute to greater economic, social and environmentally sustainable progress.

In this regard, this Policy responds to the above principles, to the European Commission's Sustainable Finance Plan, and, in particular, to Regulation (EU) 2019/2088 on the sustainability-related disclosures in the financial services sector (hereinafter, "SFDR Regulation"), which establishes the obligation to have policies that specify how to integrate these into its investment management processes, as well as continuously assessing all relevant sustainability risks that could have a material negative effect on the financial performance of the investment; and to report on this process.

It also adds other positions, the result of a comparison with international best practices and the growing expectations of various stakeholders relevant to CaixaBank AM.

The "Action principles on sustainability issues", which set out the strategy to be followed with the various stakeholders in this area,[2] as well as the "Human rights principles", the "Declaration on climate change" and the "Declaration on Nature", are maintained as separate documents, but related to this Policy.

1.2. Scope

The risks subject to governance, management and control by this Policy are those detailed below. These risks are included within in the Corporate Risk Catalogue, as they impact on the different risks in the taxonomy, such as, for example, credit risk, legal and regulatory risk, reputational risk and other operational risks:

- Environmental risks ("E") are those linked to legal entities that could potentially be affected by, or contribute to, the negative impacts of environmental trends like climate change (such as increased GHG emissions) and other forms of nature degradation (such as air and water pollution, fresh water scarcity, soil contamination, biodiversity loss and deforestation); additionally, it includes corrective actions aimed at avoiding or mitigating their materialisation.
- Nature-related risks are potential threats to an organisation due to its dependence on and impacts from nature. On the other hand, climate change-related risks are those related to global warming caused by greenhouse gas emissions. In both types, two categories can be recognised:
    - Physical, related to meteorological events (e.g. hurricanes or storms), geological events (earthquakes) or to the degradation and changes in the balance of ecosystems (such as sea level rise, desertification or changes in soil quality), either:
        - Acutely, due to increased probability and impact of extreme natural events, or
        - Chronically, associated with permanent changes in the environment.

2 Compliance with ESG aspects by our clients and the potential indirect impacts that this could have on the Group is the aspect of the "ESG-sustainability" area that is regulated in this Policy.

In either case, physical risks could harm business assets, supply chain disruptions or result in increased costs to cope with them.

- Transition, resulting from a mismatch between an organisation's strategy and management and developments aimed at halting or reversing damage to nature, as well as the timing and speed of the process to adjust to a less carbon-intensive economy, which will depend on political-legal, technological, market or reputational factors.

- Social risks ("S") measure possible indirect adverse impacts on society linked to legal entities or investee companies that do not respect human rights or the health and safety of their employees or workers in the value chain. CaixaBank AM considers particularly relevant adverse impacts related to forced labour, child labour, occupational health and safety, the right to a living wage, community problems related to land and/or (involuntary) resettlement, indigenous peoples' rights, and community health and safety.
- Governance risks ("G") derive from a negative impact resulting from weaknesses linked to legal entities or investee companies, such as transparency, market conduct, anti-corruption policies, tax compliance obligations or other behaviours considered ethical by relevant stakeholders.

In general, this Policy applies to investments on behalf of third parties in all vehicles and portfolios managed by the Management Company, except for those which, exceptionally, such as index funds, are outside the scope of the Sustainability Risk Integration Policy, or those subsidiaries which, due to regulatory requirements, have their own policy. Should any company not meet the requirements described in this Policy, CaixaBank AM will take action in accordance with the Engagement Policy and procedures of the Sustainability Risk Integration.

A different approach is used in the specific case of investment funds and ETFs of third-party managers with the aim of a common approach in the medium and long term. The vehicles are aligned with corporate policy through due diligence processes, dialogues, controls and specific thresholds adapted to the characteristics of the assets and set out in the internal control frameworks. For greater detail, see CaixaBank AM's current Sustainability Risk Integration Procedure.

Should CaixaBank AM acquire an interest in a company to which this Policy is applicable as a result of a merger or acquisition, it will work to implement actions aimed at complying with this Policy in the shortest possible time frame that is compatible with the economically reasonable management of the aforementioned interest.

1.3. Objective

The Sustainability Risk Integration Policy sets out the action principles for incorporating Environmental, Social and Good Governance (ESG) criteria into the processes and decision-making for providing investment services – alongside traditional financial criteria – from a risk perspective, defined as an ESG event or condition which, were it to occur, could have a material negative impact on the value of the investment.

The purpose of this Policy is to establish the principles, premises and mechanisms that ensure the governance, management and control of ESG risks associated with third-party investments, enabling business opportunities to be captured and working with the transformation that companies are carrying out and will continue with in the coming years.

This Policy therefore offers a framework of global principles on which all actions related to or with an identified sensitive impact on these risks must be based, as well as the basic governance framework for the authorisation, management, communication and disclosure of these actions, which enables the robust and appropriate implementation, execution and compliance with the provisions of the various defined frameworks. ESG risk management is one of the main lines of action of CaixaBank AM's sustainability strategy.

The content of this Policy includes:

- Scope of application
- Regulatory framework
- Corporate ESG risk strategy
- Governance framework
- ESG risk management framework
- Control framework
- Information framework

2 Scope of application

This Policy is of a corporate nature for the management company subsidiaries of CaixaBank AM. Consequently, the defined action principles are applicable to all subsidiaries of the Management Company that carry out activities exposed to ESG risks. The governing bodies of these subsidiaries shall adopt the appropriate decisions to integrate the provisions of this Policy, adapting – in accordance with the principle of proportionality – the governance framework to the idiosyncrasies of the structure of their governing bodies, committees and departments, and their action principles, methodologies and processes to those described in this policy.

This integration may involve, among other decisions, the approval of a subsidiary's own policy. Approval will be necessary in subsidiaries that need to adapt the provisions of this Policy to their own specificities, whether by subject matter, jurisdiction or relevance of risk in the subsidiary. Adherence to this Policy by the governing bodies of the CaixaBank AM subsidiaries shall be made when – albeit with the action principles considered in this Policy being applicable – the subsidiary does not produce its own policy and the content of this Policy establishes principles, obligations and activities that must be carried out directly by the subsidiary in the course of its activities.

In those cases where the risk control and management activities of the subsidiary are carried out directly by CaixaBank AM, whether due to the materiality of the risk in the subsidiary, for reasons of efficiency or because the subsidiary has outsourced the operational management functions of this risk to CaixaBank AM, the governing bodies of the subsidiaries affected shall at least be informed of the existence of this Policy and its application to the subsidiary itself and of the significant aspects detected in relation to these control and management activities outsourced to CaixaBank AM.

In any event, CaixaBank AM's Sustainable Responsible Investment Committee (hereinafter, "SRI Committee") shall ensure that the integration of these policies in the subsidiaries is proportionate and, when subsidiaries approve their own policies, they must be aligned with this Policy and the Corporate Sustainability / ESG Risk Management Policy, ensuring consistency throughout the CaixaBank Group.

Finally, this Policy, in addition to having a corporate nature across the subsidiaries of CaixaBank AM, it is considered an individual policy of CaixaBank AM.

3 Regulatory framework. Regulations and general standards of application

This Policy shall be governed by the provisions of the applicable regulations in force, as well as by any regulations that may amend or replace them in the future. Specifically, at the date of its preparation, the main legislation in force applicable to CaixaBank AM is as follows:

- Law 11/2018 of 28 December amending the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on Auditing of Accounts, in relation to non-financial information and diversity.
- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.
- Law 35/2003 of 4 November on Collective Investment Institutions (CII).
- Royal Decree 1082/2012 of 13 July approving the Regulations implementing Law 35/2003 of 4 November on Collective Investment Institutions (CII).
- Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR).
- Delegated Regulation (EU) 2022/1288 supplementing the SFDR with regard to regulatory technical standards.
- 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
- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 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.
- Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.
- Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives.
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and

Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

- Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 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 the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities. Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

In addition to adhering to international standards and codes of business conduct, CaixaBank AM takes into account the following standards, initiatives, conventions and institutions relating to sustainability as a sign of its willingness to avoid and address the negative impacts associated with investment decisions, among others:

- The United Nations International Bill of Human Rights.
- The United Nations Global Compact.
- The United Nations Guiding Principles on Business and Human Rights.
- The Principles for Responsible Investment (PRI).
- The United Nations Sustainable Development Goals (SDGs).

Lastly, as this is an area of intense development, CaixaBank AM is also committed to aligning itself with any new standards or regulations that may be applicable, including those arising from the European Commission’s Action Plan and the Spanish Climate Change and Energy Transition Strategy. Likewise, in the particular case of CaixaBank AM, it has adhered to the CNMV’s Code of Best Practices for Institutional Investors, Asset Managers and Proxy Advisers since January 2024.

For subsidiaries subject to foreign jurisdictions or complementary industry-specific regulations, the policies and procedures that they develop shall take into account, in addition to their own regulations, the obligations at a consolidated level contained in the aforementioned regulations insofar as they do not contradict the specific requirements of the corresponding jurisdiction or sectoral regulations.

This Policy additionally considers other sustainability standards or guidelines, which are included in the corresponding sections summarising the application criteria.

Finally, each of CaixaBank AM’s subsidiary management companies will develop the necessary frameworks, standards, guidelines or procedures for the correct implementation, execution and compliance with this Policy.

4 Corporate ESG risk strategy

The strategy that will govern CaixaBank AM's actions – in line with the CaixaBank Group – to control and manage ESG risks in relation to its investments on behalf of third parties includes the following main lines of action:

- Promoting sustainable business, developing products and services with a positive environmental and climate impact, and supporting the transition towards more sustainable business models.
- Integrating social, environmental and governance risks in decision-making and avoiding investments in companies or projects related to serious human rights or labour rights breaches, or that generate a significant negative environmental impact without sufficient mitigation actions or without adequate transition plans.
- Working to understand the human rights impacts of its activities in order to prevent and avoid contributing to potential adverse negative impacts and, where applicable, mitigate them where possible.
- Managing social, environmental and governance risks, and integrating their analysis into the investment processes of its investment products and investment services on behalf of others.
- Acting in accordance with publicly adopted commitments, such as the "Principles on Sustainability", the "Declaration on Climate Change", the "Declaration on Nature", the "Principles on Human Rights" as well as any other ESG initiative and commitment considered, and always under the responsibility to comply with its requirements appropriately.
- Supporting the transition to a zero net emissions economy by 2050. To this end, it will work with the companies in which it invests in the decarbonisation of their activity through support for the development and implementation of solutions and technologies that accelerate the transition to a carbon neutral economy. It will also establish restrictions on investments in companies linked to carbon-intensive sectors related to certain conditions being met, such as the existence of specific and achievable decarbonisation targets. Exceptionally, it may also be possible to invest in companies in sectors in certain countries where the energy transition may be particularly complex or have a significant adverse social impact.
- Promoting transparency, reporting adequately to the markets on the management and control of ESG risks in compliance with current regulations and best practices.

5 Governance framework

CaixaBank AM bases its ESG risk governance framework on the following pillars:

- Compliance with the principles set out in this Policy by CaixaBank AM and its subsidiaries within its scope of application.
- Corporate oversight of the parent company
- Alignment of strategies among subsidiaries and, in turn, alignment with best practices, supervisory expectations and current regulations.
- Maximum engagement of the governing and management bodies of the Management Company and its subsidiaries.
- Internal control framework based on the Three Lines of Defence model[3], which ensures strict segregation of duties and several layers of independent control.
- Coupling of current third-party investment circuits, as well as maintenance of the governance that governs them, to foster greater and better ESG criteria integration in decision-making and minimise the parallelisation of circuits, which could hinder investment activity.

5.1. CaixaBank AM's Governing Bodies

CaixaBank AM's Governing Bodies perform certain functions associated with their responsibility of approving and overseeing strategic and management guidelines, as well as the supervision, monitoring and integrated control of risks as a whole.

5.1.1. Board of Directors

With Sustainability Risks, CaixaBank AM's Board of Directors shall assume the same responsibilities that it assumes for the risks explicitly identified in the Corporate Risk Catalogue and in the Internal Governance and Control Policy.

Specifically, the Board of Directors is responsible for determining the Entity's general policies and strategies, approving and overseeing the strategic or business plan, as well as the implementation of the strategic and management objectives, its risk strategy and its internal governance.

In terms of ESG risk management, the following responsibilities stand out:

- Establishing the ESG risk management strategy and fundamental principles in the Management Company, approving this Policy and ensuring compliance with it.
- Establishing the framework for monitoring the situation and evolution of ESG risks (nature, type of information and frequency).

3 As set out in the EBA Guidelines of 21 March 2018 on internal governance (EBA/GL/2017/11), adopted by the Bank of Spain as its own on 18 May 2018.

CaixaBank AM's Board of Directors also:

- Establishes and oversees the implementation of a risk culture at CaixaBank AM that promotes conduct in line with identifying and mitigating ESG risks.
- Establishes and maintains an organisational structure at CaixaBank AM that is appropriate for ESG risk management and proportional to the nature, scale and complexity of the activities it carries out.
- Ensures that staff involved in ESG risk management have the appropriate skills and experience.
- Establishes mechanisms for monitoring and escalating ESG risks.
- Ensures there are sufficient internal controls over ESG risks.

5.1.2. Audit Committee

CaixaBank AM's Audit Committee oversees the effectiveness of the internal control systems, ensuring that the policies and systems established for this are applied effectively, and also oversees and assesses the effectiveness of the financial and non-financial risk management systems.

CaixaBank AM's Audit Committee's roles also include:

- Proposing recommendations to the Board of Directors to improve the effectiveness and adequacy of the Company's risk management and regulatory compliance systems, policies and procedures.
- Monitoring the implementation of recommendations or amendments to the Company's risk management and regulatory compliance systems, policies and procedures.
- Advance reporting to the Board of Directors on the financial and related non-financial information that the Management Company may be required to disclose in accordance with applicable regulations.
- Overseeing that the internal audit unit ensures the correct operations of the internal information and control systems, checking their adequacy and integrity.

5.1.3. Appointments, Remuneration and Sustainability Committee

Among other roles, CaixaBank AM's Appointments, Remuneration and Sustainability Committee:

- Oversees compliance with the Company's environmental and social policies and rules, and submits any proposals to the Board that it deems appropriate in this regard and, where appropriate, submits a sustainability/corporate responsibility policy for approval.
- Receives and assesses the periodic sustainability reports submitted by key areas, remaining informed of the main developments and progress in this area.

5.2. CaixaBank AM's collegiate bodies for ESG risks

5.2.1. Management Committee

The Management Committee is responsible for implementing the Strategic Plan and the Consolidated Budget approved by the Board of Directors.

In CaixaBank AM's own sphere of action, the Management Committee adopts resolutions affecting the Entity's organisational life. It approves, among other items, structural changes, appointments and lines of expenditure. As part of this process, it adopts resolutions – directly or through its delegated committees – related to ESG aspects.

5.2.2. Global Risk Committee

CaixaBank AM's Global Risk Committee is the delegate body of the Management Committee and is responsible for the overall management, control and monitoring of the risks taken on by CaixaBank AM.

To do this, it analyses the over status of the Management Company's risks and establishes – either directly or through its delegated committees – the policies or procedures that optimise their management, monitoring and control within the framework of the strategic objectives for CaixaBank AM and its subsidiary management companies.

5.2.3. Socially Responsible Investment Committee

The Socially Responsible Investment Committee (hereinafter "SRI Committee") is a delegated committee of the Management Committee and is responsible for reporting to the Management Committee on any changes in CaixaBank AM regarding sustainability management related to investments, with its oversight being key in all matters concerning the process of integrating ESG aspects into investment management.

The governance, composition and detailed scope of action of the SRI Committee is governed by its Operating Regulations approved by the Management Committee.

All sustainability risk management initiatives must be overseen by this Committee, which may at any time solicit the advice of experts in these risks from the functional areas of the Management Company involved in activities of assumption, management, monitoring or control with a potential impact on this risk.

The SRI Committee has responsibility for the following actions:

- Establishing the general principles that make up the socially responsible investment framework in the Management Company, as well as the criteria that restrict the investment universe.
- Coordinating the transfer of the responsible policies approved by CaixaBank AM's governing bodies to CaixaBank, as well as coordinating the implementation in CaixaBank AM, as far as possible, of CaixaBank's responsible policies with a Group perspective.
- Submitting responsible investment initiatives to the Management Committee prior to their

adoption to ensure that they comply with CaixaBank AM's rules.

- Authorising investment requests in restricted assets, in the cases envisaged in the Sustainability Risk Integration Procedure.
- Identifying the levers and scopes and collaborating in coordinating and executing the internal environmental management plan, participating in the preparation of policies, and respecting the CaixaBank Group plan.
- Jointly with the other functional areas involved, defining and updating CaixaBank AM's global environmental strategy.
- Analysing and assessing the adaptation of or adherence to Corporate or Group Policies that may have implications for aspects of socially responsible investments, due to their implications for investment processes, and, where appropriate, define the protocol for adherence.

5.3. CaixaBank AM's subsidiary management companies of CaixaBank

5.3.1. Governing bodies of CaixaBank AM's subsidiary management companies

As far as is possible, the governing bodies of CaixaBank AM's subsidiary management companies will:

- Adopt the appropriate decisions for the purpose of integrating the provisions of this Policy and applying the guidelines set out in it, taking into account the specific characteristics of each company and the applicable legal or regulatory provisions.
- Establish and oversee the implementation of a risk culture in the organisation that promotes conduct in line with identifying and mitigating ESG risks.
- Establish and maintain an organisational structure that is appropriate for ESG risk management and proportional to the nature, scale and complexity of the activities they carry out.
- Ensure that staff involved in ESG risk management have the appropriate skills and experience.
- Establish the monitoring and escalation mechanisms should any of the defined thresholds be breached.
- Ensure there are sufficient internal controls over ESG risks.

5.3.2. Collegiate bodies of CaixaBank AM's subsidiary management companies

Based on their needs and size, and pursuant to the principle of proportionality, each subsidiary shall establish – or assign to the committees already set up – the powers it deems appropriate in relation to ESG risks.

If they exist, the committees of the subsidiary management companies shall act in the same

manner as those of the parent company, carrying out their functions in alignment with the latter, consulting the Management Company's Risk Department on any operation that may not comply with any of this Policy's criteria.

5.4. ESG risk management functions

To properly manage and control ESG risks, CaixaBank AM shall perform the following functions, in accordance with the criteria of proportionality:

5.4.1. Strategy and governance

- Drawing up ESG risk management and control policies and frameworks.
- Coordinating, controlling and executing the processes of identifying, measuring, monitoring, controlling and reporting ESG risks within the framework of the strategic risk processes (Risk Assessment and Risk Catalogue).
- Defining and establishing criteria in relation to the ESG risk appetite, strategy and policies.
- Implementing the processes relating to ESG risk appetite, strategy and policies in the company's systems and circuits.
- Critical validation of compliance with rules and procedures and their alignment with ESG risk policies, with continuous monitoring of the applicable regulations on this issue.

5.4.2. Identification

- Materiality analysis of ESG risks as they intersect with the various risks in the company's catalogue (e.g. credit, market, liquidity or operational) and, where appropriate, by portfolio or segment, identifying the most significant risks for the Management Company.
- Establishing (definition of criteria) consistent reference taxonomies at a Group level, enabling a common understanding of risk factors and exposures to ESG risks.

5.4.3. Measurement and control

- Establishing methodologies to determine and rank individual exposures according to their ESG risk level, as a benchmark in the admissions, monitoring and mitigation processes.
- Developing indicators to measure the impact of ESG risks on each of the risks in the company's catalogue (e.g. credit, market, liquidity, fiduciary), as well as potential adaptations to existing models and methodologies, in compliance with the requirements of current regulations and as a channel for transferring the sustainability strategy to decision-making.
- Calculating risk concentration indicators, by portfolio and geographical area, where appropriate.
- Determining inherent risk and assessing the effectiveness of the control environment,

proposing potential risk approaches for improvement or remediation.

5.4.4. Monitoring

- Calibrating the calculated indicators, and defining their corresponding thresholds.
- Periodic monitoring of ESG risks in managed portfolios.
- More detailed monitoring and evaluation of ESG risks by managed portfolios.
- Establishing a system of indicators and periodic monitoring of portfolios in compliance with the Policy's principles of action.

5.4.5. Risk Management

- Analysing the causes of deviations from indicators, and applying the necessary preventive and mitigating measures to keep them within the defined thresholds.
- Activating limits on the concentration of ESG risks and, where appropriate, applying the corresponding diversification strategies.

5.4.6. Reporting

- Generating periodic internal and external reporting and supporting requests for information on ESG risks.
- Continuous regulatory analysis to adapt ESG risk reporting criteria to regulatory requirements.
- Adapting systems to collect and aggregate the data necessary to comply with reporting regulations.

6 ESG risk management framework

6.1. General lines of action

The ESG risk management framework implemented in developing this Policy must include at least the following lines of action:

1. Define and manage an internal ESG risk management plan in line with the CaixaBank Group's strategy.
2. Define and manage the implementation of a framework of monitoring and mitigation policies to maintain a risk profile in line with this strategy.
3. Monitor actions and operations with a potential significant impact on ESG risks.
4. Encourage practices to mitigate the ESG risks assumed in the portfolios under the scope of this Policy or other types of actions.
5. Promote the development of systems to identify and measure the exposure to ESG risks, in accordance with the evolution of the regulatory framework, social sensitivity to these risks and best market practices.
6. Assign roles linked to ESG risk management in the current organisational structure, with the necessary segregation of functions to maintain independence between the areas responsible for the processes of defining strategy, implementation, and monitoring and control of these risks.
7. Establish a system of powers for the admission of ESG risks, which allows them to be incorporated in a streamlined but robust manner in the ordinary decision-making processes, according to the scope of this document.

In terms of the criteria to be applied to maintain adequate risk levels, the Policy determines:

- **General criteria for action** to exclude or limit the assumption of ESG risk exposure. These are cross-cutting criteria that apply to the services provided by CaixaBank AM, as well as to all the sectors in which the Management Company may invest.
- **Specific criteria for action** to exclude or limit exposure to certain sectors (hereinafter, "**industry-specific**") and activities with a particular impact on the environment or society, sometimes with particular sensitivity for certain ecosystems, heritage or protected populations.

  In each of these sections, they are detailed firstly, in the section "aspects considered in the integration of the investment decision-making process", which contains a general guide for the evaluation of companies on each issue, which will be considered whenever applicable and according to expert judgement, to determine whether they comply with the provisions of this Policy.

  On the other hand, also in each of these sections, the "exclusions and restrictions" section establishes the requirements that the activities must comply with to ensure that they align with this Policy.

6.2. Key processes for compliance with the Policy

In general terms, approval of this Policy does not imply any amendment to the processes defined for CaixaBank AM's investment decision-making process. Therefore, investment proposals will be subject to the policies in force, as well as the rules, criteria and procedures that develop them.

To ensure compliance with this Policy and risk appetite – generating an assumable impact on investment activity – the Management Company has defined various ESG risk management procedures:

- Sustainability Risk Integration Procedure.
- Asset Management (Investor Process)
- Procedures associated with the Engagement Policy, such as the Issuer Dialogue and Voting Procedure.
- Due Diligence Statement of Principal Adverse Impacts, a process closely linked to the investment decision-making process.

The management model is primarily based on verifying compliance, from information provided by specialised ESG providers, with the most relevant issues of this Policy, as well as restrictions on investment in companies directly or indirectly involved in controversial activities.

6.2.1 Integration of sustainability risks in investment processes

CaixaBank AM, in accordance with the mission and values of the CaixaBank Group, gives consideration to socially responsible investment criteria in the management of its investments based on the principles of sustainable investment and transparency in management.

Including ESG criteria and integrating them into investment management can have a favourable effect on the long-term financial performance of companies and contribute to greater economic and social progress.

In this context, the Management Company integrates ESG factors into its investments, following the PRI (Principles for Responsible Investment) promoted by the United Nations as its main reference criteria, to which it has adhered since 2016.

The Management Company's Sustainability Risk Integration model is mainly based on integrating ESG aspects in investment processes. Occasionally, depending on the materiality of the ESG impact, this Policy also provides for the exclusion of certain investments, while in other cases it prescribes restrictions.

The SRI Committee identifies and approves certain exclusions and restrictions to the investment universe linked mainly to companies directly or indirectly involved in certain activities and to controversies classified as "very severe" (extraordinary events arising in companies that call into question their performance on issues related to relevant ESG aspects: sanctions for bad practices, non-compliance with international standards, environmental catastrophes, corruption, etc.).

This ESG analysis is intended to be applied to all the assets in the portfolio and constantly

improved in the medium and long term. To do this, CaixaBank AM uses data from suppliers specialising in ESG issues in its analyses and considers due diligence procedures carried out with external fund managers. It also has the support of partners and advisers to establish the criteria, methodologies and procedures necessary to carry out its analyses. The Management Company also takes part in ESG forums and working groups – in coordination with the rest of the CaixaBank Group companies – and collaborates in the regulatory developments that are being proposed at an international level, such as the European Commission's Sustainable Finance Action Plan. The details of the application of this Policy are set out in the Sustainability Risk Integration Procedure. The procedure will be approved by the SRI Committee and the Management Committee.

To ensure that risks are properly identified, measured, assessed, managed, controlled and monitored, CaixaBank AM's strategic risk management processes in the Global Risk Management Policy include, among other aspects, a Risk Catalogue with two levels of description. Regarding the integration of sustainability risks, ESG aspects are included in the various risks in the catalogue.

6.2.2. Principal Adverse Impacts on Sustainability Factors

The social and environmental impacts of investee companies' activities are monitored on a regular basis, subject to data availability. These negative impacts on sustainability issues are referred to as "material adverse impacts" and materialise, for example, through carbon emissions, fossil fuel exposure, waste levels, gender diversity, human rights breaches and corruption, bribery and other practices detrimental to society and the environment. The Management Company prioritises the management of these impacts in accordance with this Policy, and other policies, strategies and commitments related to sustainability.

6.2.3. Engagement with issuers

As part of the process of complying with this Policy, CaixaBank AM maintains regular dialogue with the issuers it finances and invests in, depending on their relevance or influence. The Management Company believes that positive impact is best achieved through this channel. CaixaBank AM's approach to dialogue actions is defined in greater detail in the Engagement Policy.

Where breaches of this Policy are observed in investees, or the investee shows insufficient progress in integrating measures into its day-to-day operations, CaixaBank AM may hold ad hoc dialogues with the aim of ensuring that the investee meets CaixaBank AM's expectations and adopts measures to avoid further breaches in the future; or for the investee to present a plan describing how it intends to improve its practices, including specific objectives and credible timelines.

6.3. General criteria

The following are the general criteria – related to key ESG issues (human rights, climate change and nature) – and which are applicable to CaixaBank AM's investments in all sectors and activities to which this Policy applies

6.3.1. Human rights

Context and objectives

The Management Company believes that respect for human rights is an integral part of its values and the minimum standard of conduct for legitimate business activity. It also feels that the protection of human rights rests primarily with governments and that companies have the responsibility to promote and respect them in their sphere of activity.

Under this premise, in line with its responsible policies and positions on ethics and human rights, CaixaBank AM operates under a culture of respect for human rights, and expects its employees, collaborators, partners and other parties directly related to its operations, products and services to do the same.

To mitigate the risk of being party to these breaches, CaixaBank AM has a series of general exclusions and restrictions.

Application standards

Internationally recognised standards and initiatives were taken into account when drafting this Policy, among which the following stand out:

- Universal Declaration of Human Rights
- International Labour Organization (ILO) Conventions
- Equator Principles
- The United Nations Guiding Principles on Business and Human Rights
- National Action Plan on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- The United Nations International Bill of Human Rights
- United Nations Global Compact Initiative
- International Finance Corporation (IFC) Performance Standards
- United Nations Declaration on the Rights of Indigenous Peoples
- Convention on the Rights of the Child
- Declaration of Human Rights defenders

Aspects considered in the integration of the investment decision-making process:

CaixaBank AM takes considers the current and potential risks and impacts of the companies in which it invests and their operations on human rights. As part of this due diligence, the Management Company assesses the performance of companies by considering, among others, the following aspects:

- Whether they have Policies on Human Rights, Sustainability or Corporate Social Responsibility, a Code of Ethics or Code of Conduct.
- Transparency on their environmental, social and governance performance and management, following applicable law or one of the internationally recognised sustainability reporting standards.

  Whether there is an Occupational Health and Safety Policy based on international standards (e.g. ISO 45001 certification) and/or a good Occupational Health and Safety record. In the event of any OHS controversy, the measures taken to mitigate it will be assessed.

The aforementioned aspects constitute a guide for assessing companies in this matter, which will be considered whenever applicable according to materiality and proportionality, with the aim of determining whether they comply with the provisions of this Policy.

Exclusions and restrictions

On human rights, the Management Company establishes a series of general exclusions and restrictions, showing its willingness to not invest in those companies or countries that seriously breach the fundamental principles set out in the United Nations Global Compact, specifically related to human rights and labour rights. In this sense, the following will be excluded:

- Companies where there is strong evidence that they use child or forced labour as defined in the ILO (International Labour Organization) Conventions or that have been involved in human rights breaches or abuses or that violate labour rights and in particular those related to workers' health and safety, and therefore contravene the United Nations Global Compact,
- Companies violating the rights of indigenous or vulnerable groups or their resettlement, without their free, prior and informed consent.

Specific exclusions and restrictions will be detailed in the procedure for applying this Policy.

6.3.2. Climate change

Context and objectives

Climate change is one of the major challenges facing the planet, with impacts for the physical environment, society and the economy.

The scientific community and organisations such as the Intergovernmental Panel on Climate Change (IPCC) believe that only substantial and sustained reductions in greenhouse gas emissions can limit global warming and reduce the risks and impacts of climate change.

In 2015, the Paris Agreement established a global action plan with the long-term goal of keeping the global average temperature increase to well below 2°C above pre-industrial levels and limiting the increase to 1.5°C.

CaixaBank AM's aim is to contribute to the transition to a carbon neutral economy, which is materialised through an environmental impact assessment of the activity carried out by the companies in which it invests, the impact of their operations, and through financing and investing in sustainable projects. As evidence of the Management Company's commitment to the energy transition, CaixaBank AM adheres to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board.

Application standards

Internationally recognised standards and initiatives were taken into account when drafting this Policy, among which the following stand out:

- United Nations 2030 Agenda for Sustainable Development Goals (SDGs).
- Paris Agreement (COP21) in the United Nations Framework Convention on Climate Change and the Katowice Agreement (COP24)
- United Nations Global Compact (UNGC)
- Carbon Disclosure Project
- UNEP FI Statement on Sustainable Development and Positive Impact Initiative
- IFC Performance Standards and Environmental, Health and Safety Guidelines
- Equator Principles
- Principles for Responsible Investment (PRI)
- Green and Social Bond Principles
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Principles for Responsible Banking promoted by UNEP-FI
- Science-Based Targets
- The energy transition scenario adopted by the Government of Spain.
- Partnership for Carbon Accounting Financials (PCAF)
- Carbon Tracker Initiative (CTI)
- Transition Pathway Initiative (TPI)

Aspects considered in the integration of the investment decision-making process:

CaixaBank AM takes considers the current and potential risks and impacts of the companies and their operations on environmental issues, such as climate change.

As part of this due diligence, CaixaBank AM considers the performance of companies on this matter in its assessment, looking at, among others, the following:

- Whether there is an Environmental, Climate Change or Sustainability Policy.
- Reporting on the carbon footprint of their direct activity and supply chain (GHG scope 1, 2 and 3) and whether they have certification of this.
- Assessment of the company's carbon intensity.
- Assessment of the decarbonisation strategy, with a special focus on the most carbon-intensive sectors.

The aforementioned aspects constitute a guide for assessing companies in this matter, which will be considered whenever applicable according to materiality and proportionality, with the aim of determining whether they comply with the provisions of this Policy.

Restrictions

On climate change, an assessment is made of the decarbonisation strategies of companies in any sector whose activities are more carbon-intensive, as well as the management of their impacts and their degree of performance. An assessment is also made of the impact on emissions in the case of projects and their contribution to the energy transition, regardless of whether or not there are specific decarbonisation targets in the portfolio.

CaixaBank AM may decide not to invest in companies or countries that could pose a material risk to the Management Company of not meeting its commitments regarding climate change and the decarbonisation of its portfolio.

Specific restrictions will be detailed in the procedure for applying this Policy.

6.3.3. Nature

Context and objectives

CaixaBank AM recognises that the economic activities of the companies and countries in which it invests can have a substantial impact on nature. These impacts may be more serious when they occur in areas of high biodiversity value, sensitive ecosystems, areas susceptible to water stress, nationally and internationally protected areas, or when the impact itself is significant, irrespective of whether it occurs in these types of areas or not. The Management Company therefore includes this consideration in its sustainability risk management, with the aim of minimising the impact of its portfolio on nature.

Application standards

Internationally recognised standards and initiatives were taken into account when drafting this Policy, among which the following stand out:

- United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Convention.
- Convention on Wetlands of International Importance Especially as Waterfowl Habitat (Ramsar Convention)
- Forest Stewardship Council International Standard
- UNESCO's World Network of Biosphere Reserves
- Protected Areas of the International Union for Conservation of Nature (IUCN)
- Recommendations of the Task Force on Nature-related Financial Disclosures (TNFD)

Aspects considered in the integration of the investment decision-making process:

CaixaBank AM expects companies to adopt best practices on nature matters and considers the current and potential risks and impacts of companies and their operations on nature. As part of this due diligence, CaixaBank AM considers the performance of companies on this matter in its assessment, as well as other general criteria and looking at the following:

- Whether there is a Biodiversity, Environment or Nature Policy.
- Identification of potential impacts on nature – including impacts related to water scarcity, biodiversity, soil, water and air pollution, or waste, among others –, avoiding them, minimising those that cannot be avoided, restoring, offsetting real impacts and carrying out mitigation actions related to nature.
- In projects, the existence of biodiversity certifications (e.g. adherence to IFC-International Finance Corporation Biodiversity standards), or environmental impact reports especially where there may be potential impacts on tropical forests, High Conservation Value (HCV) areas, High Carbon Content (HCS) areas, Natura 2000 protected areas or natural protected areas.

The aforementioned aspects constitute a guide for assessing companies in this matter, which will be considered whenever applicable according to materiality and proportionality, with the aim of determining whether they comply with the provisions of this Policy.

Restrictions

In relation to these aspects, the Management Company establishes a series of general restrictions, showing its willingness to not invest in those companies or countries that seriously breach the fundamental principles set out in the United Nations Global Compact in terms of protecting the environment and the fight against corruption.

Specific restrictions will be detailed in the procedure for applying this Policy.

6.4 Industry-specific criteria and by activity

6.4.1. Energy

Context and objectives

The energy sector is of great importance in the development of the global economy. Access to safe and affordable energy is a basic service that is fundamental to global well-being. However, CaixaBank AM is aware that the energy sector can have a potential negative impact on both society and the environment. In this regard, the transition process in the value chain, based on reducing the use of fossil fuels and the generation of energy based on energy production systems with low greenhouse gas (GHG) emissions, contributes substantially to the reduction of these emissions in the atmosphere and, therefore, to the fight against climate change. In addition, adverse effects of the energy sector on the environment and society must be taken into account, such as the alteration of ecosystems, the generation of impacts on biodiversity through the construction of energy infrastructures in sensitive areas, the generation of hazardous waste, the health and safety of workers, and the effects on local communities, among others. These risks must be properly managed to minimise impacts on the environment and local communities. The aforementioned impacts must also be reconciled with the growing demand for cheaper, safer, cleaner and more efficient energy sources.

Oil and gas:

Oil and gas play a key role in the global energy mix. However, oil and gas exploration and production can adversely impact the environment and local communities, especially when it involves unconventional oil and gas extraction such as oil sands, shale or fracking; or takes place in complex areas such as deep water, the Arctic region or conflict zones.

Coal:

The processing and burning of coal has significant environmental impacts, especially with regard to GHG emissions, which contribute substantially to climate change. Other adverse impacts from this activity include emissions of gases such as sulphur and nitrogen oxides, leaks associated with carbon sequestration, and use of high volumes of water.

Nuclear energy:

Inappropriate handling of nuclear energy can lead to safety, health or environmental problems, such as radioactive contamination, with high impacts on biodiversity and communities.

Renewable energy:

In the fight against climate change and the transition to a low-carbon economy, the renewable energy sector (wind, solar, geothermal, hydroelectric, biomass, etc.) is gaining ground in the energy industry. They are the cleanest forms of energy generation, although their development and production can have a negative impact on the environment and society if the potential environmental and social impacts (e.g. water use, impact on biodiversity) are not properly managed.

The energy sector covered by this policy refers to companies engaged in the following activities:

- Companies whose activities are related to oil and gas, including the entire value chain (upstream, midstream and downstream, both onshore and offshore, both builders and operators);
- Processing and production: refining, including petrochemical industry, refineries, gasification, etc.
- Electricity generation from fossil fuels (coal, oil and gas) and from renewable energy sources (wind, solar, hydro, geothermal, biomass, liquid and gaseous biofuels);
- Heat generation from renewable energy sources (geothermal and solar) and waste;
- Bioenergy production (solid biomass and liquid and gaseous biofuels) used as an alternative to solid fuels;
- Commercial and logistical activities and services specifically designed or used for the energy sector, including trading (which includes traders), shipping, pipelines, storage facilities, vessels, floating production storage and offloading (FPSOs) units, blending and transmission, distribution and trading of heat and power.
- Nuclear power generation.

Application standards

Internationally recognised standards and initiatives were taken into account when drafting this Policy, among which the following stand out:

- International Petroleum Industry Environmental Conservation Association (IPIECA) Guidance to Operating in Areas of Conflict
- World Bank Global Flaring and Methane Reduction Partnership
- Extractive Industry Transparency Initiative
- Voluntary Standard for Global Gas Flaring and Venting Reduction. International Energy Agency Voluntary Principles on Security and Human Rights
- World Bank Environmental, Health and Safety General Guidelines in the Energy Sector
- Energy and Biodiversity Initiative (EBI)
- Convention on Nuclear Safety (Vienna, 1994)
- Convention on Civil Liability for Nuclear Damage (Vienna, 1963)
- International Atomic Energy Agency (IAEA) safety standards
- Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (Vienna, 1997).

Aspects considered in the integration of the investment decision-making process:

CaixaBank AM expects companies in the energy sector to follow and develop industry best practices in relation to climate change mitigation, biodiversity protection, occupational health and safety, protection of the rights of local communities and the safety of their facilities. As part of this due diligence, CaixaBank considers the following in the assessment:

- Existence of a supply chain management system that takes into account environmental, human rights, and health and safety aspects of its suppliers and subcontractors.
- In projects, the existence of systems and procedures to clean-up spills in operations, control of pollutant gas emissions, release and flaring of gases, and effluent discharges.

In assessing companies and operations related to the energy sector, CaixaBank AM takes into account its own decarbonisation commitments.

The aforementioned aspects constitute a guide for assessing companies in this matter, which will be considered whenever applicable according to materiality and proportionality, with the aim of determining whether they comply with the provisions of this Policy.

Exclusions and restrictions

CaixaBank AM will restrict investments in companies when they meet any of the following requirements:

- Companies whose revenues from coal-fired power generation make up more than 5% of their consolidated revenues, except if:
  - They have a favourable decarbonisation and phase out strategy by 2030 (no coal dependence by 2030), or
  - the purpose of the operation is for the installation of renewables or other demonstrable purpose associated with the energy transition.
- The company is involved in developing new coal-fired power generation capacity.
- Companies with a Group turnover of more than 50% in exploration, extraction, transport, refining, cokeries and electricity generation from oil, which do not have an adequate diversification or decarbonisation strategy. It will be possible to invest in companies that exceed this threshold, provided that:
  - they promote the energy transition, or
  - the purpose of the investment is for the installation of renewables or other demonstrable purpose associated with the energy transition.
- Companies with Group turnover above 50% in exploration, extraction/production, liquefaction, transport, regasification, storage and electricity generation with natural gas. . It will be possible to finance companies that exceed this threshold, provided that:
  - they have an adequate decarbonisation strategy and/or:
  - the purpose of the operation is for the installation of renewables or other demonstrable purpose associated with the energy transition

There is evidence that the exploration, production or transport of bituminous sands represents more than 10% of their turnover. There is evidence that oil and gas exploration, production or transportation activity in the Arctic region (AMAP[4]) accounts for more than 10% of its turnover.

4 Definition of the *Arctic Monitoring and Assessment Programme*

Finally, with the invested companies, the objective will be to favour the transition towards more sustainable energy sources and the reduction of their GHG emissions, but maintaining the competitive and business position of the companies, thereby achieving improvement through dialogue actions with them.

6.4.2. Mining

Context and objectives

The mining industry plays an essential role in the economy. It is a major source of revenues and wealth in many territories, providing decent employment, business development and tax revenues. Some minerals are also essential to other industries. Minerals such as phosphates or potassium are used in the agricultural or chemical industry; metals are necessary for the production of consumer and capital goods, etc. In this sense, recycling or other actions linked to the circular economy can reduce the need for raw materials, but it's difficult to eliminate it.

At the same time, this industry can produce negative environmental and social impacts. For this reason, CaixaBank AM considers it essential that the environmental, social and governance aspects related to the activity are properly assessed and managed. It therefore expects its clients and those companies in the mining sector included in its portfolios to comply with internationally recognised responsible laws and standards.

These criteria apply to companies involved in mining, including exploration, planning and development, operation, closure and rehabilitation of mines, and processing of extracted minerals (excluding oil and gas, for which the standards are defined in the energy section). For metal and mineral processing, it includes the refining, smelting and further processing of metals and minerals extracted through mining activities.

Application standards

Internationally recognised standards and initiatives were taken into account when drafting this Policy, among which the following stand out:

- The International Council on Mining and Metals (ICMM)
- The ILO Convention C176 on Safety and Health in Mines (1995)
- The Extractive Industries Transparency Initiative ("EITI")
- The World Bank's International Finance Corporation (IFC) Guidelines on Environment, Occupational Health and Safety in the Mining Sector.
- The Voluntary Principles on Security and Human Rights
- The Energy and Biodiversity Initiative (EBI)
- The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
- International Cyanide Management Code (gold mining)
- Minamata Convention on Mercury (gold)
- The Kimberley Process (diamond industry)

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (tin, tantalum, tungsten and gold)
- ITRI Tin Supply Chain Initiative
- Fair Stone International Standard
- Bettercoal code
- Recommendations from the International Commission for Radiological Protection
- Nuclear Non-Proliferation Treaty (New York, 1968)
- International Atomic Energy Agency (IAEA) safety standards
- Guide to Best Practices for Mining and Biodiversity from the International Union for Conservation of Nature (IUCN) and International Council on Mining and Metals (ICMM)

Aspects considered in the integration of the investment decision-making process:

CaixaBank AM expects companies in the mining sector to follow and develop industry best practices in relation to biodiversity protection, occupational health and safety, protection of the rights of local communities and the safety of their facilities. As part of this due diligence, CaixaBank AM considers the following in the assessment:

- Existence of a supply chain management system that takes into account environmental, human rights, and health and safety aspects of its suppliers and subcontractors.

In assessing companies and operations related to the mining sector, in particular with regard to thermal coal mining, CaixaBank AM takes into account its own decarbonisation commitments.

The aforementioned aspects constitute a guide for assessing companies in this matter, which will be considered whenever applicable according to materiality and proportionality, with the aim of determining whether they comply with the provisions of this Policy.

Exclusions and restrictions

CaixaBank AM will restrict investments in companies that meet any of the following requirements:

- Turnover at economic group level is more than 5% reliant on the extraction of thermal coal, except if:
  - They have a favourable decarbonisation and phase out strategy by 2030 (no coal dependence by 2030) or
  - The purpose of the operation is for the installation of renewables or other demonstrable purpose associated with the energy transition.
  - The company is involved in coal mining expansion projects.

Finally, with the invested companies, the goal will be to favour the transition, while maintaining the competitive position, thereby achieving improvement through dialogue processes.

6.4.3. Infrastructure and transport

Context and objectives

The infrastructure sector plays an important role in global economic growth through transport and telecommunications networks. In a global world with a growing world population, infrastructure is becoming increasingly important. However, this sector faces potential environmental and social challenges, such as the degradation of biodiversity, access to resources, waste generation, pollution, impacts on local communities, among others.

This sector comprises companies whose activities related to the construction, operation and decommissioning of transport, water management, waste and telecommunications facilities represent a significant part of their total activity.

Transport:

The transport industry is essential to global economic growth. The transport of raw materials, final goods and people can have significant environmental impacts. Energy efficiency and sustainability of the transport system must be pursued.

Furthermore, the construction and development of transport facilities, such as ports, terminals, airports, railways and highways, can have environmental and social impacts depending on the territories where the activity takes place.

Water management:

The supply of fresh water is limited in the face of growing industrial, agricultural and domestic demand. A secure water supply and adequate water management are necessary to sustain life, the development of the planet and protect the environment, thereby avoiding negative impacts such as desertification, depletion of aquifers and droughts.

In this context, dams can make an important contribution to the development of many countries by facilitating the supply of water to society, but they can also have impacts on the environment and local communities, especially large dams, through changes in river flow patterns, causing alterations to flora and fauna and other natural resources.

Waste management:

Good waste management is essential for sustainable development. In particular, minimising raw material use, through reuse, recycling and other practices linked to the circular economy that allow a better use of natural resources.

Waste management involves waste collection, transport and processing. These activities, if not properly managed, can generate environmental and social (health) risks, depending on the type of waste being processed.

Telecommunications and energy infrastructures:

The construction of telecommunications facilities, such as fibre optic cabling, or energy infrastructures, such as power lines, oil or gas pipelines, is essential for economic and social development. However, these infrastructures can have environmental and social impacts depending on the areas where they are built.

All these negative impacts on the environment and society can be avoided or minimised by companies properly applying general or sector-specific international standards.

Application standards

Internationally recognised principles, standards and initiatives were taken into account by CaixaBank AM when drafting this Policy, among which the following stand out:

- OECD Framework for Infrastructure Governance
- World Commission on Dams (WCD)
- United Nations Environment Programme (UNEP) Dams and Development Project
- Building Research Establishment Environmental Assessment Method (BREEAM, LEED)
- Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management (Vienna, 1997).
- International Maritime Organization requirements
- The industry-specific reference documents of the International Finance Corporation (CFI)
- The Poseidon Principles
- Carbon Offsetting and Reduction Scheme (CORSIA)
- Climate-Aligned Finance Standard for the Aviation Sector (CAF)

Aspects considered in the integration of the investment decision-making process:

CaixaBank AM expects companies in the infrastructure and transport sector to follow and develop industry best practices in relation to biodiversity protection, occupational health and safety, protection of the rights of local communities and the safety of their facilities. As part of this due diligence, CaixaBank AM considers the following in its assessment:

- For air operators, whether they report the carbon footprint of their activity.
- For the air transport sector, whether they support emission neutral growth for international aviation through the "CORSIA" scheme.
- In particular for the shipping sector, a best practice to consider is having a proper policy or procedure for ship recycling.
- For companies in the shipping sector, and where applicable, it is analysed whether they are aligned with the IMO GHG Strategy.
- Existence of a supply chain management system that takes into account environmental, human rights, and health and safety aspects of its suppliers and subcontractors.

The aforementioned aspects constitute a guide for assessing companies in this matter, which will be considered whenever applicable according to materiality and proportionality, with the aim of determining whether they comply with the provisions of this Policy.

Restrictions

In relation to this issue, the Management Company establishes a series of general restrictions, showing its willingness to not invest in those companies or countries that seriously breach the

fundamental principles set out in the United Nations Global Compact, specifically related to human rights, labour rights, environmental protection and anti-corruption.

6.4.4. Agriculture, fisheries, livestock and forestry

Context and objectives

As well as providing food, agriculture, fisheries and livestock are a source of wealth that contributes to job creation, the fight against poverty and the improvement of the food chain. Forestry, and the forest industry in general, provides important resources for communities (food, medicine, timber, water and air quality, spiritual and aesthetic values) and forests and other natural areas are also a refuge for species diversity.

At the same time, increasing demand for food, fibre and biofuels puts pressure for intensification of production based on existing resources, as well as their extension into previously untouched areas. This can lead to loss of biodiversity and protected species; soil erosion and land degradation; emissions resulting from plant burning or fertiliser use; polluting water sources; introducing invasive species or involving land use disputes and human rights abuses (including child labour and forced relocation).

For this reason, CaixaBank AM considers it essential that the companies in these sectors in which it invests properly assess and manage the environmental and social aspects related to the activity.

The activities covered by the agriculture, livestock and forestry policy are:

- Plantations for the cultivation and harvesting of agricultural products; planting and felling of forests; livestock rearing.
- Refining and processing of agricultural products; wood processing; pulp and paper manufacturing.
- Manufacture of processed foods and beverages.
- Extraction of fishery resources in external waters and aquaculture activities and mollusc and fish hatcheries.

Application standards

Internationally recognised standards and initiatives were taken into account when drafting this Policy, among which the following stand out:

- Principles for Responsible Investment in Agriculture and Food Systems (FAO, IFAD, UNCLAD and World Bank)
- The World Wildlife Fund (WWF) 2050 Key Performance (Criteria Guide to Responsible Investment in Agricultural, Forest, and Seafood Commodities)
- The United Nations Convention on Biological Diversity (1992) and the Nagoya Protocol (2010).
- The Cartagena Protocol on Biosafety in relation to Genetically Modified Organisms (GMOs)

- Stockholm Convention on Persistent Organic Pollutants (POPs)
- FAO International Code of Conduct on the Distribution and Use of Pesticides
- OECD-FAO Guidance for Responsible Supply Chains in the Agricultural Sector
- The Aquaculture Stewardship Council
- The UN Resolutions pertaining to sustainable fisheries
- The Alliance for Zero Extinction
- Global Good Agricultural Practice (GAP)
- Rainforest Alliance Sustainable Agriculture Standard (SAN)
- The Global Roundtable for Sustainable Beef (GRSB) and Standards Cattle Production System (SCPS)
- The World Organisation for Animal Health
- On Soybean Cultivation:
  - The Roundtable for Responsible Soy (RTRS)
  - Basel Criteria for Responsible Soy production
  - CGF Responsible Soy Sourcing Guidelines
- Palm Oil:
  - The Roundtable on Sustainable Palm Oil (RSPO)
  - Principles and Criteria for Responsible Palm Oil Production
- Cotton, Coffee, Tea, Coconut, Sugar:
  - Fairtrade
  - Rainforest Alliance Certified
  - UTZ Certified
  - Better Cotton Initiative
  - World Cocoa Foundation
  - Ethical Tea Partnership
  - 4C membership (coffee)
- Timber/rubber:
  - Forest Stewardship Council (FSC) standard
  - Programme for the Endorsement of Forest Certification (PEFC)
  - Rainforest Alliance or equivalent certification

Aspects considered in the integration of the investment decision-making process:

CaixaBank AM expects companies in the agriculture, fisheries, livestock and forestry sectors

to follow and develop industry best practices in relation to the conservation of nature, biodiversity protection, occupational health and safety, protection of the rights of local communities and the safety of their facilities.

CaixaBank AM considers the following when assessing companies in the agricultural sector:

- Existence of procedures and systems to consider the management of land, water, pollution and spills.
- Existence of a supply chain management system that takes into account environmental, human rights, and health and safety aspects of its suppliers and subcontractors.
- If the company is a producer, processor or marketer of forest products, the existence of FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification) or equivalent certification for its production operations or in its supply chain.

The aforementioned aspects constitute a guide for assessing companies in this matter, which will be considered whenever applicable according to materiality and proportionality, with the aim of determining whether they comply with the provisions of this Policy.

Exclusions and restrictions

In relation to this issue, the Management Company establishes a series of general restrictions, showing its willingness to not invest in those companies or countries that seriously breach the fundamental principles set out in the United Nations Global Compact, specifically related to human rights, labour rights, environmental protection and anti-corruption.

6.4.5. Defence and Security

Context and objectives

This policy defines the applicable procedures and standards by which CaixaBank AM addresses ESG risks related to the defence and security sector, in order to carry out its defence and security-related activity in a responsible manner. CaixaBank AM expects defence and security companies to comply with applicable regulations and international conventions ratified by the countries in which they are based.

CaixaBank AM and its subsidiaries will not intervene in the defence sector when there may be a clear risk of defence materials being used for repression or other serious violations of international humanitarian law, conventions and treaties on the non-proliferation of weapons, and other related standards and guidelines. In this regard, CaixaBank AM and its subsidiaries recognise the right of countries to defend themselves and protect their citizens and, consequently, may maintain business relationships with companies related to the defence sector whose activity is considered consistent with legitimate national security and defence strategies.

In addition, governments and companies are increasingly using the services of private security companies in activities and locations around the world. This industry is sensitive to human rights violations, so clients in this sector require special attention.

In line with the standards applicable to this sector, CaixaBank AM considers the following

definition of defence and security under this Policy:

- Defence and security companies: any company, group, institution, state agency or organisation involved in production, sales/marketing, testing, research and development, systems integration, maintenance and services, including private security services.

Application standards

CaixaBank AM uses the criteria included in the relevant international conventions to define controversial weapons. The different defence activities and/or materials are classified into the following categories:

Conventional armaments:

- Weapons (such as pistols or other light weapons, bombs, missiles or rockets), with the exception of blank, sporting, replica or collector's weapons.
- Munitions and explosives when intended for military use (including, but not limited to, bullets, shells, torpedoes, grenades, mines, depth charges, etc.), provided that the purpose of use is not civilian.
- Specially designed components and essential equipment for the production, maintenance and use of conventional arms and ammunition; as well as software or hardware related to defence activities, unless their purpose is related to civil protection and security.
- Dual-use items: those items that can be used for both civilian and military purposes, when they are intended for military use. For the definition of dual-use items, the CaixaBank Group follows the EU regulation on export control regime and dual-use material according to Council Regulation (EU) 428/2009 of 5 May 2009, as amended by Commission Delegated Regulation (EU) 2016/1969 of 12 September 2016 and Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 (repealing Regulation (EU) 428/2009, except for authorisation applications submitted before 9 September 2021).

Controversial armaments:

Although there is no universally accepted definition of controversial weapons, at the date of publication of this policy, CaixaBank AM considers the following to be controversial weapons, using the criteria included in international conventions:

- Anti-personnel mines: Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on their Destruction (1997).
- Biological weapons: Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972).
- Chemical weapons: Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993). In addition, despite not being included in this convention, CaixaBank AM considers the use of white phosphorus to be a controversial weapon.
- Cluster bombs: Convention on Cluster Munitions (2008).

- Munitions containing depleted uranium: there is no international convention in force, but CaixaBank AM acknowledges the concerns of some stakeholders regarding depleted uranium munitions.
- Nuclear weapons: Nuclear Non-Proliferation Treaty (1968).

Aspects considered in the integration of the investment decision-making process:

CaixaBank AM systematically monitors its exposure to controversial weapons through invested companies. Prior to any investment, CaixaBank AM assesses the potential exposure of the company or investment vehicle to controversial armaments, including anti-personnel mines, cluster bombs, and chemical and biological weapons.

Exclusions and restrictions

As a general rule, CaixaBank AM applies a series of exclusions and restrictions applicable to all investments, in any sector, within the scope of this policy:

- Companies that develop, produce, maintain or trade in controversial armaments (including their essential components). This includes: anti-personnel mines, biological weapons, chemical weapons, white phosphorous, cluster bombs, munitions containing depleted uranium, and nuclear weapons. In the case of the latter, investments may exceptionally be made in companies domiciled in countries that have ratified the 1968 Treaty on the Non-Proliferation of Nuclear Weapons, provided that these companies are engaged in activities other than nuclear armaments and are not related to any other type of controversial armament. In this case, annual revenues in this nuclear activity at the consolidated level may not exceed 5%.

7 Control framework

CaixaBank AM promotes a risk culture that fosters risk control and compliance, as well as establishing a robust internal control framework covering the entire organisation and enabling fully informed decisions to be taken on the risks assumed.

CaixaBank AM's internal control framework follows the Three Lines of Defence model, which ensures strict segregation of functions and several layers of independent control:

- The **first line of defence** is in the operational units that effectively manage the ESG risks. These units are responsible for implementing internal ESG risk policies and procedures; they will proactively implement ESG risk identification, management and mitigation measures; if and when public company information is available, the Management Company will take the necessary steps to obtain it and, where not possible, information will be requested from the companies based on the risk and materiality, etc., and the appropriate controls will be established and implemented. Managing ESG risk cuts across all areas of CaixaBank AM. Specifically, and within the scope of the management company's own activities, the first line of defence in managing ESG risks is mainly assumed by the following areas:
  - Sustainability, through the SRI Department, responsible for defining the principles of action in relation to managing ESG risks, as well as advising on their application criteria and their translation into the corresponding analysis tools.
  - Business Development and Commercial, as originators of the commercial activity and business and product development.
  - Investments, which must ensure adequate knowledge and implementation of the criteria of this policy, adopting investment decisions in accordance within the perimeter of excluded or restricted assets.
- Risk management, as the internal control function that constitutes the s**econd line of defence for ESG risks**, ensures the quality of the entire ESG risk management process; establishes the control framework of this Policy, in coordination with the first line of defence, assessing its subsequent compliance; reviews the consistency with internal policy and public guidelines of the processes related to these risks; provides guidance on the design and review of processes related to ESG risks and on the controls to be established in the management units; identifies, measures and monitors ESG risks; follows up on the effectiveness of first line indicators; and monitors the control weaknesses identified.

  Specifically, in the Management Company's own sphere of action, the second line of defence in managing ESG risks is the Non-Financial Risk Control department, and Compliance when there are regulatory implications.
- The third line of defence falls to Internal Audit as an independent and objective assurance and consulting function, designed to add value and improve the operations of the Group and its subsidiaries. It contributes to achieving CaixaBank AM's strategic objectives by providing a systematic and disciplined approach to assessing and improving risk management and control processes and corporate governance. In particular, Internal Audit overseas the actions of the first and second lines of defence so as to offer reasonable assurance to Senior Management and the Governing Bodies.

The Three Lines of Defence model is framed in the Group in such a manner that the internal control functions of the parent company carry out their mission with a consolidated vision of the Group companies. Therefore, CaixaBank's Corporate Risk Management Function & Planning and Internal Audit, as the areas responsible, respectively, for the risk management and internal audit functions at the parent entity, assume the strategic guidance, oversight and coordination of the respective internal control functions of the CaixaBank Group companies, while safeguarding their own scope.

Each CaixaBank Group company must ensure they have controls over the correct application of the general principles established in this Policy, as well as their development in internal ESG risk management frameworks and procedures.

8 Information framework

Establishing an appropriate reporting framework is essential in managing ESG risks.

Key in this regard for the Management Company are 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 and 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.

Additionally, Regulation 2020/852 of the European Parliament and of the Council of 18 June 2020 on the taxonomy defining "green" activities (hereinafter "the Taxonomy") provides ––in its Article 8–– for the need to report information on economic activities that qualify as environmentally sustainable, and to adopt a delegated act to complement that Article, specifying the rules for the content and presentation of the information to be disclosed.

The main goals of the reporting framework are to:

- Provide the Governing Bodies and Senior Management with timely accurate, clear and sufficient information to facilitate decision-making and verify that they are operating within the defined risk tolerance.
- Satisfy the information requirements of the supervisory bodies.
- Keep shareholders and CaixaBank AM's stakeholders informed about ESG risks.
- Provide the heads of the various areas, particularly the management and control areas, with the data necessary to monitor compliance with the strategy defined for the Group in relation to ESG risks.

Accordingly, the first lines specialising in ESG risks and the second line of defence shall, at least annually, submit the status of sustainability risks to the SRI Committee, the Management Committee, and the Appointments, Remuneration and Sustainability Committee.

9 Updating the Policy

This Policy shall be subject to review by the Board of Directors on an annual basis. CaixaBank AM's Compliance Management, together with the Risk and Sustainability Areas, as responsible for this Policy, and with the other Management areas affected, such as Investment, among others, shall review its content on an annual basis.

In addition, the updating of the Policy may be initiated at any time at the request of any of those involved in ESG risk management who have identified the need for its amendment, due to, among other causes:

- Changes in the regulatory framework.
- Changes in business objectives and strategy.
- Changes in the management approach or processes.
- Changes derived from the results obtained in monitoring and control activities.
- New policies or amendments to existing policies that affect the content of this Policy.
- Amendment to the organisational structure that implies a change of functions in managing ESG risks.

As a review procedure, the person responsible for the Policy will:

- Share the result of the analysis carried out with the rest of those involved in managing ESG risks and make the necessary amendments to the Policy.
- Include a summary of the review carried out in the "Version Control" section of the Policy.
- Make a proposal to the SRI Committee and the Global Risk Committee that the revision be submitted to the Appointments, Remuneration and Sustainability Committee, where its approval will be sought prior to its submission to the Board of Directors.

However, when changes are made outside the default (annual) period, approval by the Management Committee and the SRI Committee is sufficient if they are minor in nature. For these purposes, minor amendments are understood to be those arising from organisational changes without implications for ESG risk management functions, merely typographical corrections or as a result of the updating of documents referenced in the Policy.[5] The Appointments, Remuneration and Sustainability Committee shall always be informed of amendments approved by the Management Committee and the SRI Committee. If deemed appropriate by the Appointments, Remuneration and Sustainability Committee, the amendments will be submitted to the Board of Directors.

The Governing Bodies shall be responsible for the storage and accessibility of this Policy and shall be responsible for ensuring the proper functioning of the filing, distribution and, where appropriate, publication processes. Without prejudice to its possible external publication, this Policy shall be accessible to all employees through the Management Company's intranet (PeopleNow).

5 The "updating of documents referenced in the Policy" would only include the transcription of extracts from documents approved by the competent bodies (Board of Directors, Global Risk Committee, etc.) or regulatory provisions, provided that the amended content is not regulated by the Policy itself.

10 Glossary

- The International Bill of Human Rights comprises the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights and its two optional protocols.
- The Universal Declaration of Human Rights (UDHR) is a declaratory document drawn up by representatives from all regions of the world with different legal and cultural backgrounds. The Declaration was proclaimed by the United Nations General Assembly as a common standard of achievement for all peoples and nations. It sets out – for the first time – the fundamental human rights to be protected throughout the world (basic civil, cultural, economic, political and social rights that should be enjoyed by every human being in the world).
- The International Covenants: Following the adoption of the UDHR, the Human Rights Commission, the main intergovernmental human rights body within the United Nations, converted these principles into international treaties to protect certain rights. Given the unprecedented nature of this task, the General Assembly decided to draft two covenants corresponding to two types of rights set out in the UDHR: civil and political rights and economic, social and cultural rights.
- United Nations Global Compact: The United Nations Global Compact is an international initiative that promotes the implementation of 10 universally accepted principles to promote sustainable development related to Human Rights and Business, Labour Standards, Environment and Anti-Corruption in the activities and business strategy of companies. It is the largest corporate social responsibility initiative in the world.
- International Labour Organization (ILO) Conventions: The International Labour Organization (ILO) is a specialised agency of the United Nations dealing with labour and industrial relations issues. International labour standards are divided into conventions and are legal instruments prepared by the ILO's constituents (governments, employers and workers) that establish basic principles and rights at work.
- International Finance Corporation (IFC) Performance Standards: Performance standards that provide a framework to understand and manage the environmental and social risks of a high-profile, complex, international or potentially high-impact project. They are an international benchmark for environmental and social risk identification and management, and have been adopted by many organisations as a key component of their environmental and social risk management. The IFC's general guidelines on the environment, health and safety provide technical guidance with general and industry-specific examples of international good industry practice to meet the IFC's Performance Standards.
- World Bank IFC Environmental, Health and Safety Guidelines: The World Bank's International Finance Corporation (IFC) Environmental, Health and Safety Guidelines are technical reference documents that contain general and specific examples of Good International Industry Practice (GIIP). The General Guidelines should be used in conjunction with the Environmental, Health and Safety Guidelines for the relevant industry sector, which provide guidance to users on issues pertaining to each specific industry sector.

- Equator Principles: The Equator Principles (EP) is a framework launched in 2003 to enable financial institutions to identify, assess and manage the social and environmental risks of their projects.
- Free, Prior and Informed Consent (FPIC): This is a specific right of indigenous peoples recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Through FPIC, indigenous peoples can give or withhold their consent to a project that affects them or their territories. Once they have given their consent, they can withdraw it at any stage of the process. It is generally recognised that it is desirable to open a consultation process, whereby a community potentially affected by a project engages in an open and informed dialogue process with individuals and persons interested in pursuing activities in the area(s) traditionally occupied or used by the affected community.
- UNESCO World Heritage: World Heritage is the title conferred by UNESCO on certain places on Earth that are of "outstanding universal value" and therefore belong to the common heritage of humanity, with the aim of cataloguing and preserving sites of outstanding cultural or natural importance for the common inheritance of humanity.
- List of Ramsar Wetlands: Ramsar sites are wetlands that meet any of the Criteria of International Importance that have been developed by the Ramsar Convention. This convention is an intergovernmental treaty that provides the framework for national action and international cooperation to conserve and wisely use wetlands and their resources. This list includes the most important wetlands in the world in terms of their ecological and biodiversity conservation interest.
- High Conservation Value (HCV) areas are critical areas in a territory that need to be appropriately managed to maintain or enhance High Conservation Values. There are six main types of HCV area:
- Areas containing concentrations of globally, regionally or nationally significant biodiversity values (e.g. endemism, endangered species, refuges).
- Large landscape areas at global, regional or national levels where populations of most or all naturally occurring species exist in natural patterns of distribution and abundance.
- Areas that are in or contain rare, threatened or endangered ecosystems.
- Areas that provide basic ecosystem services in critical situations (e.g. watershed protection, erosion control).
- Areas fundamental to meeting the basic needs of local communities (e.g. subsistence, health).
- Areas critical to the traditional cultural identity of local communities (areas of cultural, ecological, economic or religious importance).
- Alliance for Zero Extinction: The Alliance for Zero Extinction (AZE) involves 88 biodiversity conservation non-governmental organisations working to prevent species extinction by identifying and safeguarding sites where there are species assessed as Endangered or Critically Endangered under the International Union for Conservation of Nature (IUCN).

- International Union for Conservation of Nature (IUCN): IUCN is a Membership Union composed of Sovereign States, government agencies and civil society organisations, which provides public, private and non-governmental entities the knowledge and tools that comprehensively enable human progress, economic development and nature conservation.
- Marine Protected Areas (MPAs): The Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) recognises, in general terms, a Marine Protected Area (MPA) as a marine area that has protection for all or part of the natural resources it contains. Within an MPA, certain activities are limited or totally prohibited so as to achieve specific conservation, habitat protection, ecosystem monitoring or fisheries management objectives.
- Primary tropical rainforests: Primary forests are a substantial area of forest mass that has remained intact, i.e. never been logged, fragmented, or influenced by human or industrial activity. The biological richness and ecological importance of primary forests is their main biodiversity value.
- Virgin Forests: An Intact Forest Landscape (IFL) is an area that contains forest and non-forest ecosystems, with minimal influence from human activity, and that is large enough to support all native biological diversity, including populations of species of various types. IFLs have high conservation value and are critical for stabilising terrestrial carbon storage, hosting biodiversity, regulating hydrological regimes and providing other ecosystem functions.
- Greenhouse Gases (GHG): Natural and anthropogenic gases that are integral to the atmosphere, which absorb and emit radiation at specific wavelengths of the infrared radiation spectrum emitted by the Earth's surface, the atmosphere and clouds. This property causes the greenhouse effect. The main GHGs in the Earth's atmosphere are water vapour, carbon dioxide, methane, nitrogen oxide and ozone.

Energy Sector

- Tar sands and/or oil sands: unconventional source of oil obtained from the combination of clay, sand, water and bitumen that have to be physically separated, in open-pit mines, before further processing. Once separated from the sand, it is still a heavy, low-grade fossil fuel, which requires energy-intensive processing to convert it into a synthetic crude oil, similar to conventional oil.

Mining Sector

- Mountaintop Removal: open-pit mining at the top or ridge of a mountaintop. This method, which is widely used in the United States (Appalachia), uses explosives to mine the coal seams in the mountains, each time destroying a large amount of land. This not only has an impact on biodiversity, but also on human health, as dust particles and toxins are released into the air.
- Asbestos: a group of naturally occurring fibrous minerals that are resistant to heat and corrosion. Because of these properties, asbestos has been used in commercial products, such as fireproofing and insulation materials, car brakes and drywall materials. Its use is

controlled by the authorities as continued exposure has been linked to cancers.

- The International Cyanide Management Code (ICMC) is a voluntary initiative for the gold and silver mining industries, as well as for producers and transporters of the cyanide used in those industries. The main goal is to assist in the safe management of cyanide, at both production and transportation stages. It also includes requirements related to insurance, accident prevention, emergency response, training, public information, stakeholder engagement and process verification. It does not include measures aimed at the design and construction of repositories or reconstruction of mines.
- The Kimberley Process Certification Scheme (KPCS) is a certification scheme designed to prevent conflict-zone diamonds (involving human rights abuses or the financing of war) from entering the diamond market.

For a country to participate, it must ensure:

a) That any diamonds originating in the country do not finance a rebel group or other entity that aims to overthrow a UN-recognised government.

b) That each diamond exported is accompanied by a certificate guaranteeing that it complies with the Kimberley Process. No diamonds are imported to or exported from a country that is not part of the scheme.

Infrastructure Sector

- World Commission on Dams (WCD): international best practice framework for the planning, construction and management of dams.
- Large dam: a dam that is over 15 metres tall from the lower foundations to its highest point; or dams between 5 and 15 metres containing more than 3 million cubic metres of water (as defined by the International Commission on Large Dams).

Agriculture Sector

- Palm oil is a vegetable oil obtained from the mesocarp of the palm fruit. The cultivation of this fruit for oil has a major environmental impact, including deforestation, loss of natural habitats of endangered species (such as the orangutan and the Sumatran tiger), as well as contributing to greenhouse gas emissions.
- First-generation biofuel is that derived from the biomass of crops which can be used to feed human populations or livestock.
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES): This is an international agreement between governments that aims to ensure that international trade in specimens of wild animals and plants does not threaten their survival. Spain became a member of CITES on 16 May 1986.
- Roundtable on Sustainable Palm Oil (RSPO): A non-profit organisation that aims to bring together all sectors of the palm oil industry and stakeholders (producers, distributors, manufacturers, and social and environmental NGOs). It has developed a sustainable oil certification system (CSPO), which establishes criteria and auditing systems that aim to ensure that production respects labour and indigenous peoples' rights, that new areas of

high environmental value are not occupied, that biodiversity is not threatened, and that cleaner agricultural practices are promoted.

- Round Table on Responsible Soy (RTRS): A civil society organisation that promotes responsible soy production, processing and marketing worldwide. The RTRS standard for responsible soy production is applicable worldwide and ensures that soy production is environmentally sound, socially appropriate and economically viable.
- IUU fishing activities: Illegal, unreported and unregulated (IUU) fishing is an international problem that occurs in many harvesting and fishing activities. Illegal fishing occurs when fishing activities violate fisheries laws. Unreported fishing refers to fishing that has not been reported or has been misreported to the authorities. Unregulated fishing is fishing by unflagged vessels or when harvesting occurs in unregulated areas, among other cases.
- Stockholm Convention: An international agreement that regulates the processing of toxic substances. It aims to protect human health and the environment from persistent organic pollutants (POPs), as well as to promote best available practices and technologies to replace POPs currently in use, and to prevent the development of new POPs by strengthening national legislation and implementing national implementation plans to meet these commitments.
- Rotterdam Convention: Adopted in 1998, it establishes a first line of defence by giving importing countries the means and information they need to recognise potential hazards and exclude chemicals that cannot be safely managed. The goals of the Rotterdam Convention are to:

  a) Promote shared responsibility and joint efforts by Parties in the international trade of certain hazardous chemicals in order to protect human health and the environment from potential harm.

  b) Contribute to their environmentally sound use by facilitating the exchange of information on their characteristics, by establishing a national decision-making process on their import and export, and by disseminating such decisions to the parties.

- First generation biofuels are those produced from food crops such as cane sugar and rapeseed. They contain bioethanol (produced from sugars and starch) and biodiesel (produced from vegetable oil); and differ from second-generation biofuels in that they are derived from non-food plant substances such as crop residues and agricultural or municipal waste. These contain bioethanol produced from cellulosic materials such as straw or wood.
- Prohibited substances according to the World Health Organization (WHO). Class 1A and 1B: Highly hazardous pesticides can cause acute or chronic toxic effects, and pose specific risks to children. The widespread use of these products has caused health problems and deaths in many parts of the world, usually as a result of occupational exposure and accidental or deliberate poisoning. International organisations and conventions (such as the WHO) provide guidance and legal frameworks on the use, management and marketing of pesticides, as well as information on proper storage and handling.
- Those classified by the WHO as Class 1A are considered as "extremely hazardous" and 1B as "highly hazardous".

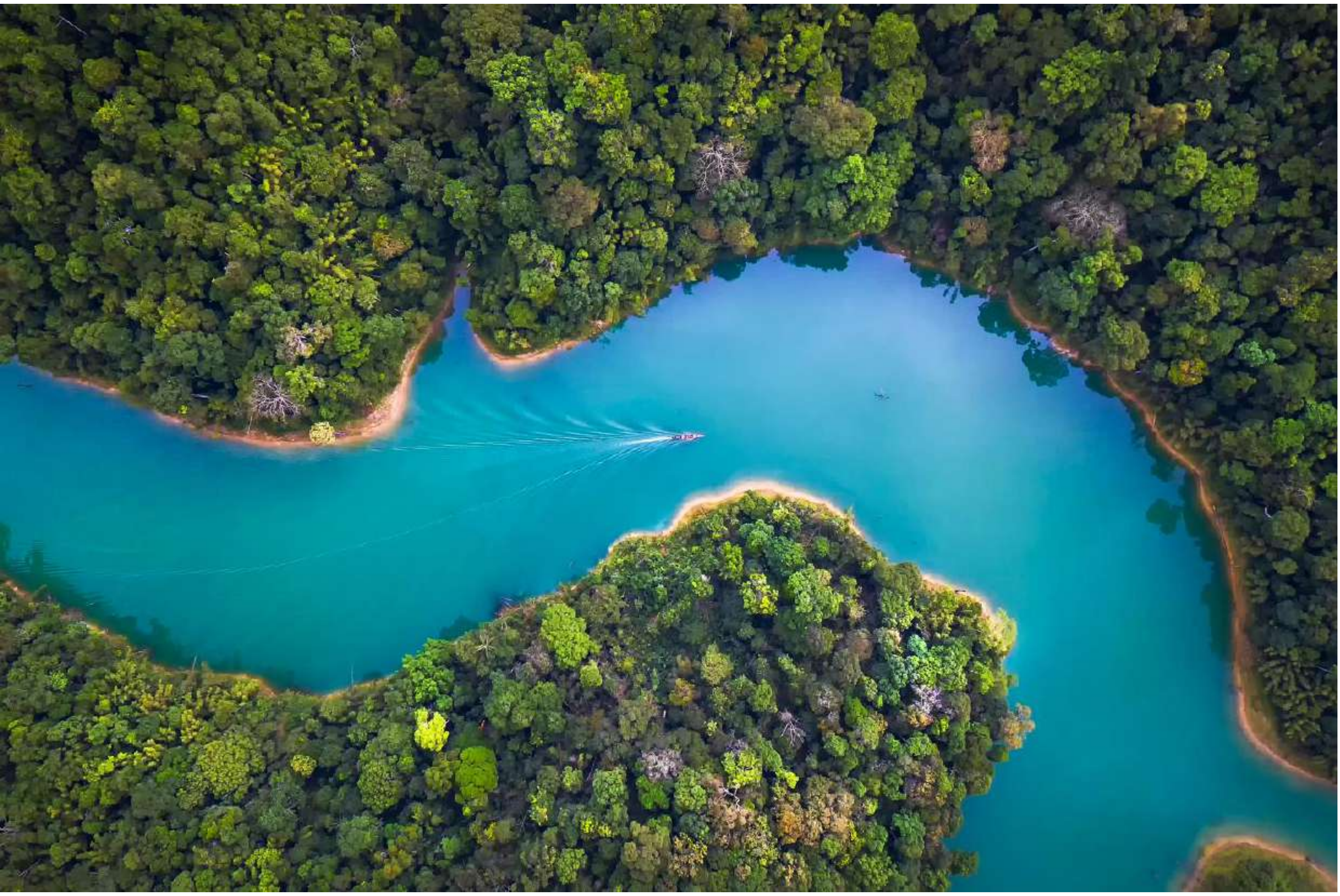
Defence Sector

- Controversial armaments: Armaments that, due to their characteristics, could seriously affect the civilian population. This includes anti-personnel mines, biological weapons, chemical weapons, white phosphorous, cluster bombs, munitions containing depleted uranium and nuclear weapons.
- Anti-personnel mines: Anti-personnel mines are a type of landmine. They are designed to kill or incapacitate their victims. Their most common effects are amputations, genital mutilation, injuries to muscles and internal organs, or burns.
- They are defined in the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on their Destruction (1997).
- Biological weapons: A biological weapon – also known as a bioweapon or sometimes as a bacteriological weapon – is any pathogen (infectious agent) that is used as a weapon of war. The offensive use of living organisms is generally characterised as a biological weapon. A biological weapon may be intended to kill, incapacitate or seriously impair an individual as well as entire cities or places.
- They are defined in the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972).
- Chemical weapons: Chemical weapons use the toxic properties of chemical substances to kill, injure or incapacitate. Toxic products produced by living organisms (e.g. toxins) are considered chemical weapons. According to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993), any toxic chemical, regardless of its origin, is considered a chemical weapon, except when used for permitted purposes. Chemical weapons are classified as weapons of mass destruction by the United Nations and their production and stockpiling is proscribed by the aforementioned 1993 Convention.
- Cluster bombs: Bomb or projectiles whose casings splinter when exploded resulting in fragments being thrown in all directions. The characteristic of these bombs is that when opened, they release many smaller bombs which can be used for a variety of purposes: to cause injury or death to large numbers of people indiscriminately; to set fires; to penetrate armoured vehicles.

  They are defined in the Convention on Cluster Munitions (2008).
- Munitions containing depleted uranium:Depleted uranium munitions are a type of munition constructed largely from depleted uranium. Depleted uranium is a dense metal derived from enriching natural uranium as a nuclear fuel. It is used in armour-piercing projectiles and bombs to increase their penetrating capability.
- Nuclear weapons: A nuclear weapon is a highly explosive device that uses nuclear energy. Delivery vehicles include intercontinental ballistic missiles, submarine-launched ballistic missiles, and long-range bombers, subsonic and supersonic cruise missile carriers, among others.

Their definition is regulated in the Nuclear Non-Proliferation Treaty (1968).

- White phosphorus: White phosphorus is an allotrope (single element molecule) of the chemical element phosphorus that has extensive military use as an incendiary agent, smoke screen agent and as an anti-personnel incendiary component capable of causing severe burns. There is controversy as to whether it should be considered in the chemical weapons grouping. In addition to its offensive capabilities, white phosphorus is also a highly efficient fumigant, capable of rapid burning and producing instant smoke screens. For this reason, white phosphorus munitions are common in infantry smoke grenades and grenade launchers, as well as in the munitions of tanks, armoured vehicles, guns and mortars.
- Dual-use items: Dual-use items are those that can be used for both civilian and military purposes. According to Council Regulation (EU) 428/2009 of 5 May 2009, as amended by Commission Delegated Regulation (EU) 2016/1969 of 12 September 2016 and Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 (repealing Regulation (EU) 428/2009, except for authorisation applications submitted before 9 September 2021), dual-use items are:
    - Nuclear materials, facilities and equipment
    - Special materials and related equipment
    - Materials processing
    - Electronics
    - Computers
    - Telecommunications and information security
    - Sensors and lasers
    - Navigation and avionics
    - Marine
    - Aeronautics and propulsion



SUSTAINABILITY RISK MANAGEMENT POLICY FOR PORTFOLIOS MANAGEMENT AND INVESTMENTS

Societe Generale Private Banking

April 2025

SOCIETE GENERALE
Private Banking

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I. INTRODUCTION

The Societe Generale Group stands by its purpose: "building together, with our clients, a better and sustainable future through responsible and innovative financial solutions".
This document ("Sustainability Risk Management Policy") is prepared in compliance with **Article 3 of European Union Regulation (EU) 2019/2088** on sustainability-related disclosures in the financial services sector ("**SFDR**"). It sets out the manner in which sustainability risks are integrated in the **investment processes of Societe Generale Private Banking (SGPB)**.

In the course of its activities, SGPB operates on the financial markets[1] as a provider of portfolio management and financial advisory services[2].

Societe Generale Private Banking (SGPB) is the Group's division dedicated primarily to the **wealth management business in France**. SGPB operates through Societe Generale Private Banking France (SGPBF), Societe Generale Private Banking Luxembourg and Societe Generale Private Banking Monaco (including SG Monaco).
Societe Generale Private Banking also comprises two portfolio management companies acting as delegated asset managers:

- SG IS[3] France (formerly SG29 Haussmann), based in France and serving the clients of SGPB France; and
- SG IS Europe (formerly SGPWM), based in Luxembourg and serving clients in Luxembourg and Monaco.

This "Sustainability Risk Management Policy" does not cover the reception, transmission and execution of client orders included in the Prime Market Access and Direct Market Access offering. Also excluded from the scope of this policy are currencies, commodities, derivatives, interest rate structured products, indices and other products such as real estate, private equity, art and wine banking.

II. GUIDING PRINCIPLES OF SUSTAINABILITY RISK MANAGEMENT

"**Sustainability risks"** arise when an environmental, social or governance (ESG) event or situation which, if it occurs, could have a significant adverse impact on the value of an investment.

In the same way as market risk, counterparty risk or liquidity risk, all of which are financial risks, sustainability risks are factored into all investments and may include:

- **Transition risks**, referring to the financial risks arising from the transition to a low-carbon economic model (regulatory and legal risks, technological risks, reputation risks and market opportunity risks).

- **Physical risks**, referring to the physical impacts resulting from extreme climate-related events. Such risks can be acute (due to natural events such as wildfires) or chronic (associated with rising temperatures and gradual geographical changes such as rising sea levels). They include heatwaves, extreme cold, drought, tropical cyclones, wildfires and floods.

[1] Within the meaning of Article 2 (1) of SFDR
[2] Within the meaning of Article 2 (11) of SFDR
[3] Societe Generale Investment Solutions.

- **Social risks and those related to fundamental human rights**, adversely affecting workers and their communities (forced labour and slavery, child labour, discrimination, disregard for indigenous peoples and their cultural heritage, property rights, freedom of association, worker health and safety, decent working conditions, compensation and social protection, and the right to privacy).

- **Governance risks and other ethical risks**, referring to sanctions and embargoes, terrorism, corruption and influence peddling, resource appropriation, tax evasion and data protection.

To assess the expected profitability of a financial product, the financial information about the issuer (usually a company) is further subject to extra-financial analysis based on ESG criteria.

III. SUSTAINABILITY RISK MANAGEMENT POLICY FOR ASSET PORTFOLIOS AND INVESTMENT ADVISORY ON FINANCIAL SECURITIES EXCLUDING FUNDS

We integrate sustainability risks into our investment and advisory universe for direct securities (shares and bonds, excluding funds) and apply the Societe Generale group's sectoral exclusion policies. This is supplemented by our ESG integration policy.

1. Exclusion policy

SGPB excludes from its investment universe:

- thermal coal extractors, energy utilities and developers, depending on revenue or share criteria, or generation capacity;
- companies involved in the manufacture of weapons prohibited by international treaties (i.e. cluster munitions as defined by the 2008 Oslo Convention, landmines, biological/chemical weapons, nuclear weapon programmes of non-nuclear weapon states under the 1970 Non-Proliferation Treaty, depleted uranium munitions);
- companies producing or distributing palm oil that have not committed to being 100% RSPO certified (Roundtable on Sustainable Palm Oil) by 2030;
- companies manufacturing tobacco products (irrespective of revenues), their suppliers and distributors (subject to revenue thresholds);
    - players in unconventional oil & gas (including revenue derived from oil sands, oil shale, shale gas, shale oil, coal seam gas, coalbed methane, as well as oil and gas production in the Arctic region), subject to a revenue threshold; and
    - unconventional oil & gas players with revenue above a certain threshold.

2. ESG integration policy

To assess the expected profitability of a financial product, the financial information about the issuer (usually a company) is also subject to extra-financial analysis based on environmental, social, and governance (ESG) criteria. SGPB reinforces its commitment to integrating ESG factors by leveraging the extra-financial research of its provider MSCI. It systematically incorporates MSCI's ESG ratings into its investment management process and, as a minimum, excludes any investment in companies with the lowest rating ("CCC").
Moreover, companies involved in very severe controversies that may lead to heavy financial penalties, or those violating, for example, the principles of the United Nations Global Compact — guided by international conventions and declarations on ESG issues — are also excluded from the investment universe.

In their capacity as delegated asset managers, SGPB's portfolio management companies may apply their own additional exclusions: Politique_investissement_durable.pdf ; SG_IS_Europe_-_Sustainability_risk_policy_-_2025_03.pdf

SGPB reports the management of negative impacts in a separate disclosure:
SGL_SFDR_Politique_de_gestion_des_risques_de_durabilite_et_de_prise_en_compte_des_principales_incidences_negatives_2024_EN.pdf ; Présentation PowerPoint.

3. ESG process for selecting funds

SGPB applies an open-architecture approach to selecting its funds[4]. In addition to the fundamental analysis of its funds, sustainability risks are included in the overall analysis. Therefore, the qualitative fundamental criteria of each fund's socially responsible investment (SRI) approach are reviewed in order to form an opinion.

Qualitative analysis of funds' SRI approach as part of investment due diligence

When selecting a fund, the following are qualitatively analysed:

- the ESG policy of the portfolio management companies and their funds, and its implementation;
- the definition of sustainable investment;
- the normative and sectoral exclusions applied;
- the existence of dedicated ESG teams;
- the ESG analysis process for securities in the portfolio;
- the fund's classification according to regulations in force (SFDR articles, certifications, minimum sustainable investments, etc.); and
- the MSCI ESG Fund Metrics rating

This analysis allows us to qualitatively define the funds which funds can be described as having an SRI approach and "ESG approved".

[4] Funds managed by portfolio management companies not part of the Societe Generale group.

Cross-analysis: Operational due diligence and ESG questionnaire

These qualitative data are cross-checked through questionnaires sent to asset managers during operational due diligence reviews. Part of the questionnaire addresses the organisation of ESG teams, the tools used to implement ESG policies within the funds, their ability to be compliant with and adapt to various regulations.

Every two years, an ESG questionnaire is sent to and completed by each portfolio management companies in order to adapt to changes in national and European regulations.

SUSTAINABILITY POLICY FRAMEWORK

21.03.2025

EUROBANK CYPRUS LTD

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1. Purpose of the Sustainability Policy Framework

Eurobank Cyprus (hereinafter also referred to as "Bank") recognizes the significance of the impact of its activities on society and the environment. The Bank places high importance on the effective integration of Sustainability principles and ESG aspects throughout the activities of the organization, its governance model and related commitments.

This Policy Framework outlines the approach for adherence to applicable regulatory requirements and any voluntary initiatives as well as adopted standards and guidelines enabling the Bank's contemporary and continuously updated approach towards Sustainability, in line with international best practice.

2. Our Principles and Commitments

2.1. Guiding Principles

The Bank is committed to actively contributing to the achievement of the United Nations Sustainable Development Goals (SDGs) and the 2030 Agenda goals as well as playing an active role in the implementation of the Paris Agreement on Climate Change.

Eurobank Cyprus also acknowledges and applies international standards related to Sustainability. The adopted list of standards and framework evolves dynamically, in line with industry practice and sustainability-related emerging developments.

The Bank is certified according to ISO 14001 (International Standard for Environmental Management) and it is listed in the European Eco-Management and Audit Scheme (EMAS) Register for Environmental Management, underscoring its commitment to environmental protection and sustainable practices. The Bank follows ISO 14064 for measuring and validating its Greenhouse Gas (GHG) emissions (Scope 1 and Scope 2).

The Bank further aims to implement ISO 45001:2018 - Occupational Health and Safety Management System in 2025.

Eurobank Cyprus, as a member of Eurobank Holdings SA (Eurobank Group), is committed to continuously enhancing both its performance and governance, ensuring alignment with the parent bank's standards and objectives.

2.2. Net Zero Commitment

The Bank aims to align its operations, portfolio and investments with the ultimate objective of reaching Net Zero by 2050.

In this context, the Bank, as a member of Eurobank Group which is a signatory of the UN-convened Net Zero Banking Alliance, aligns its commitments to transitioning all GHG emissions from its lending and investing portfolio to align with pathways to net-zero at the latest by 2050, with interim targets.

In line with the Operational Impact pillar of the ESG Strategy, the Bank aims to minimize its negative impact across the value chain in order to achieve Net Zero in its operations earlier than 2050.

2.3. Zero Tolerance Commitment

Focusing on the social aspect of ESG, Eurobank Cyprus aligns its actions with corporate values, principles and commitments by issuing various policies including the Diversity, Equity and Inclusion Policy as well as the Anti-Harassment Policy. In order to further enhance its efforts against Harassment and Violence in Workplace, the Bank implements a relevant focused training program to all employees. This approach outlines zero-tolerance for various types of violation and discrimination as well as for the equal opportunities with fairness and meritocracy and irrespective of gender, nationality, age or other traits throughout the entire employee life cycle (i.e., recruitment and selection, learning, performance, talent and career development, reward management).

The Bank's Anti-Bribery and Corruption Policy clearly defines active and passive bribery, as well as potential cases leading to corruption. The Code of Conduct and Ethics describes how the Bank prevents instances of bribery and corruption and how it promotes integrity within the business environment. Furthermore, the Bank's Policy for Reporting Illegal or Unethical Conduct (Whistleblowing) provides an independent mechanism for anonymous reporting of illegal or unethical conduct and the confidential treatment of all reports.

3. Group's and Bank's approach to Sustainability

3.1. Group's approach to sustainability

Our Group supports the sustainable transition of the economy and considers sustainability and climate change as an opportunity. A key strategic objective is to adapt its business and operation in a way that addresses climate change challenges, accommodates social needs within its banking business model, and safeguards prudent governance for itself and its counterparties, in accordance with supervisory initiatives and following international standards/ best practices.

Eurobank Group expresses the Environmental, Social, Governance (ESG) aspect of its business through the lens of Impact generation. The aim is to define the Bank's ESG Strategy in a holistic approach, in line with the material sustainability matters identified, across two pillars of impact: the operational impact arising from its own activities and the financed impact resulting from the Bank's lending and investing activities to specific sectors and clients. These two pillars of impact aim to capture the essence of the Bank's business effect on the climate, the protection of the natural environment, its contribution to addressing societal challenges at large, the prosperity of its own people, its contribution to raising business capacity in the markets where the Bank operates, and the internal processes that build and secure the confidence of its stakeholders.

The Group's Sustainability Policy Framework is available at Group's website at sustainability-policy-framework.pdf (eurobank.gr).

3.2. Bank's approach to sustainability

The Bank adopts the Group's approach to sustainability while the Bank's ESG Strategy aims to include targets and commitments along the two key pillars:

3.2.1. Operational Impact Strategy

The Bank aims to create positive economic, social, and environmental impacts from all aspects and areas of its operations. To this end, the Operational Impact strategy will comprise of 3 strategic pillars of impact, namely Environmental, Societal and Governance & Business, as following:

Environmental Impact	• Net Zero Operational Impact • Paperless Banking • Circular Economy • Preservation of Natural Resources/ Biodiversity
Societal Impact	• Diverse & Inclusive Internal Environment • Wellbeing Culture • Inclusive Entrepreneurship • Socio-Economic Impact • Accessibility & Inclusion for Customers

Governance & Business Impact	• Sustainable Procurement • Engagement & Awareness • ESG Capacity - Internal • ESG Capacity - External • Ethics & Transparency

3.2.2. Financed Impact Strategy

The Bank aims to foster favourable economic, social, and environmental outcomes across all facets and sectors of its financing endeavours, with a commitment to sustainability and responsible stewardship. To achieve this objective, the Financed Impact strategy will be structured around four strategic pillars namely:

i. Clients' engagement and awareness to adapt their business so as to address climate change challenges;

ii. Actions for supporting clients in their transition efforts towards a more ESG-friendly economic environment;

iii. Enablers and tools such as frameworks and products to underpin Sustainable Financing;

iv. The assessment and management of climate-related material exposures.

Making progress along the two pillars of the ESG Strategy, the Bank aims to maximize its contribution to achieving the Paris Climate Agreement's targets and the UN Sustainable Development Goals. Through a set of actions with measurable targets, the ESG Strategy will reflect the Bank's vision in the short, medium, and long term in relation to the environment, its social footprint, with focus on its people, and the ESG impact on the market and its portfolio.

3.2.3. ESG and Climate Risk management

Transitioning to a low-carbon and more circular economy entails both risks and opportunities for the economy and financial institutions. To this end, the adoption of a strategic approach for the management of risks and the identification of opportunities in relation to sustainability and climate change is of great importance to the Bank. In full alignment with applicable supervisory expectations, the Bank's approach aims to integrate climate-related and broader ESG risk considerations into its business model, strategy, risk management, governance arrangements, policies, and procedures, as well as reporting and disclosure frameworks.

The Bank aims to implement a set of tools for the identification, measurement, and management of CR&E risks, including the credit granting and monitoring processes. These will be utilized by the involved Units across both the 1st and 2nd Line of Defense. In addition, the Bank has an established climate risk reporting dashboard with appropriate climate risk KRIs that are submitted to the management body on a regular basis, to effectively oversee Climate-related and Environmental risks across the Bank.

3.2.4. Sustainable Finance

Eurobank Cyprus envisages to play a key role for the financing of landmark projects that are necessary for pursuing economic growth in line with ESG criteria. The Bank's Sustainable Finance Framework, adopting international standards, provides a clear and comprehensive methodology for classifying sustainable lending solutions offered to its customers, specifying the classification approach and the activities defined as eligible to access sustainable financing (eligible green and social assets). The Sustainable Finance Framework scope encompasses a wide range of sustainable lending products covering the lending portfolios of the Bank.

3.2.5. Sustainable Procurement

The Bank aims to apply green procurement practices, embedding environmental specifications included in the Environmental Policy and guidance for the selection, where possible, of environmentally and socially responsible goods from suppliers that are aligned with ESG principles.

In the context of implementing Sustainable Procurement, the Bank aims to establish ESG criteria for the tendering processes. These criteria consider factors related to the impact on the Environment and Society, as well as for Governance issues (Environmental, Social and Governance – ESG Factors).

Additionally, the life cycle perspective of the impacts on society, the economy and the environment will be taken into account for the entire supply chain, transparency and ethical behavior are promoted and equal opportunities are provided to suppliers.

3.2.6. Financial Inclusion

The Bank promotes financing products that specifically relate to infrastructure and supported services, aiming to assist small businesses to grow and become updated, boost their competitiveness, and improve the quality of the products and services they offer.

Focusing on customer service, Eurobank Cyprus aims to make its services, assets, resources, and opportunities accessible to all. This means continuous investment in banking services friendly towards persons with disabilities, but above all, training and awareness for all of us on financial inclusion.

3.2.7. Sustainability in Investment Services

Wealth Management Division's 'Sustainability Risk Policy in Investment Services' is available at Bank's website at https://www.eurobank.com.cy/Eurobank/media/docs/ERBCY_WM-Division_Sustainability-Policy_2024_.pdf. The said policy outlines the approach of Wealth Management's Division of the Bank in identifying and managing sustainability risk in the Investment Services (as defined in the 'General Terms for Investment Services'), offered by the Division to its Clients, subject to the Sustainable Finance Disclosure Regulation (SFDR2) and other related regulatory and legislative requirements, as noted in the related MIFID Information Package - available at Bank's website at https://www.eurobank.com.cy/en-us/laws-regulations/mifid.

Further, the Bank's Sustainable Investment Framework ("the Framework" and/or "SIF") outlines' available sustainable investment approaches/strategies, the selection of eligible investments and the monitoring frequency of the sustainable portfolio (the sustainable portfolio is part of the Bank's investment portfolio). The Framework specifies the respective criteria that are utilized in the Bank's banking book's investment strategy, along with the selection process of eligible sustainable investments.

3.2.8. ESG Awareness & Capacity Building

The Bank is placing great emphasis on building capacity among its employees in order to be able to support its clients on their sustainability journey and their green transition. Apart from the general upskilling programmes, the Bank conducts dedicated sessions tailored to the requirements of specific business units and functions, to enhance their understanding, crucial for delivering the Bank's vision towards sustainability. Eurobank Cyprus' internal awareness sessions regarding ESG and CR&E matters cover both members of the management body and other stakeholders across the Bank (e.g. Business Units).

Eurobank Cyprus also assists stakeholders to assimilate ESG terminology, opportunities, and applicability. The Bank aims to foster the ESG capacity building of external stakeholders, and particularly for its clients, through the Bank's ESG Operational Impact Strategy.

4. Stakeholder Engagement & Materiality Analysis

4.1. Stakeholder Engagement

An integral part of the Bank's approach towards sustainability is to foster strong relationships of trust, cooperation and mutual benefit with all stakeholders affected by its activities, directly or indirectly.

- **Engagement with customers**

  The Bank places customers at the centre of its activities and one of its purposes is to help them in the transition to a more sustainable future, accompanying them on their journey towards decarbonisation, offering them innovative solutions to finance their investments with positive environmental and social impacts and managing initiatives that better respond to sustainability-related challenges.

  Eurobank Cyprus offers to its customers a comprehensive array of banking services through its Banking Centres network and electronic/digital channels, while expert relationship managers are available both at Banking Centres and through video calls, catering to various needs. Customer support is also available via the Bank's call center.

  Regarding Investment Services of Wealth Management, for cases where clients declare that they are interested in investing sustainable, the Bank's Relationship Managers at Wealth Management Division provide information to Clients and are collecting Client's sustainability preferences to be matched, where applicable, with suitable investment guidelines/mandates, as per Wealth Management Division's 'Sustainability Risk Policy in Investment Services' (referred to under paragraph 3.2.7. above).

- **Engagement with employees**

  Eurobank Cyprus prioritizes employee upskilling and reskilling, maintains professionalism, and enforces anti-discrimination policies to foster an inclusive workplace. The Bank offers comprehensive benefits for employees regardless of gender, age, or marital status. Regular meetings, breakfast sessions, and events facilitate dialogue between management and staff. The Bank promotes work-life balance, social and environmental awareness, and volunteering and implements an ESG upskilling plan and awareness initiatives for employees and clients to support sustainability efforts.

- **Engagement with suppliers**

  Eurobank Cyprus provides comprehensive and transparent information in procurement processes to its suppliers, ensuring compliance with legal requirements in labour and the Bank's Code of Conduct and Ethics.

- **Engagement with the business community**

  The Bank supports entrepreneurship, innovation, and internationalization through strategic initiatives including dialogue with professional associations and collaborations.

- **Active dialogue with the regulator, peers, NGOs and society**

  Eurobank Cyprus collaborates with stakeholders, including NGOs, supporting them through sponsorships and donations. Employee volunteerism fosters community engagement. Collaboration with academia drives innovation in CSR. Meetings with regulatory authorities and other entities facilitate data sharing and issue resolution.

  The Bank actively participates in sectoral and other business associations and initiatives aiming at exchanging knowledge and effectively influencing market advancements with respect to Sustainability. In the context of networking with market for sustainable development issues, the Bank participates in the ESG Committee of the Association of

Cyprus Banks and it is one of the founding members of the Cyprus CSR.

4.2. Materiality Analysis

The material sustainability matters are identified through the Double Materiality assessment performed by our Group, Eurobank S.A., and which are adopted by the Bank. More specifically, the Group adopts a Double Materiality approach, incorporating a financial materiality assessment focusing on the external impact on the company's value creation process (outside-in), in addition to the impact materiality assessment (inside-out), in order to identify the material impacts, risks and opportunities to be reported. Materiality assessment is the key process used to define the content of the Group's Annual Report - Business & Sustainability and is largely informed and influenced by stakeholder engagement.

A sustainability matter is material from an impact perspective when it pertains to the Bank's material actual or potential, positive or negative impacts on people or the environment (environmental, social and governance matters) over the short, medium and long term time horizons. It includes impacts connected to the Bank's own operations and value chain, including through its products and services, as well as through its business relationships.

A sustainability matter is considered 'material from a financial perspective' if it generates risks or opportunities that affect (or could reasonably be expected to affect) the Bank's financial position, financial performance, cash flows, or cost of capital over the short, medium or long term.

The Sustainability Management Committee of the Group oversees the setting of targets related to Materiality Impact Analysis and approves the proposed contents of the Sustainability Report that derive from the results of the Materiality Impact analysis.

The Group will adopt the consolidated reporting approach i.e. it will report for all its subsidiaries under the Group CSRD report, including Eurobank Cyprus as of 2025. The Bank will provide the required information (quantitative / qualitative) to be consolidated and reported by the Group during the reporting periods and the timeframes specified by the Group. Disclosures will be gradually implemented over a period of 3 years and will include comparative information, anticipated financial effects and additional disclosures addressing the Bank's portfolio on all areas.

5. ESG Governance

Sustainability at Eurobank Cyprus is deployed across an ESG governance structure that addresses both regulatory requirements and voluntary commitments. BoD oversight with respect to ESG Strategy is addressed through the inclusion of ESG items in the Board Meetings agenda as per international best practice. The Three Lines of Defence model enhances risk management and control by clarifying roles and responsibilities within the organization. Eurobank Cyprus' governance structure also ensures that the management of relevant climate-related and environmental risks is integrated into the Bank's three lines of defence, as well as aims to further enhance the effective oversight of ESG and CR&E matters at management / Board level.

In this context and taking into account the significant impact of climate-related and environmental (CR&E) risks both on financial institutions and on the global economy, the Bank developed and approved its CR&E Risks Management Policy. The said Policy aims at fostering a holistic understanding of the effects of CR&E risks on its business model, as well as support decision-making regarding and provide a robust governance under its Risk Management Framework.

In addition, the Board Risk Committee (BRC) oversees the implementation and adherence to the Bank's risk policies, including for CR&E risks, in order to assess their adequacy against the approved risk appetite and strategy; determines the principles which govern CR&E risks management across the Bank in terms of the identification, measurement, monitoring, control, and mitigation of risks; approves risk principles, policies, procedures and methodologies. The BRC updates the BoD on CR&E risks, at least on a quarterly basis.

The Environmental, Social & Governance Management Committee ("ESGMC") is a Management Committee, established by the CEO. The ESGMC consists of the members of the Bank's ExCo and it is chaired by the Bank's CEO so that pertinent decision making and planning are dealt with at the strategic level. The purpose of the ESGMC is to provide strategic direction on ESG initiatives, review the ESG Strategy prior to approval, integrate the elements of the ESG Strategy into the Bank's business model & operations, regularly monitor, and analyze the Bank's progress against

ESG goals and performance targets, ensure the proper implementation of ESG related policies and procedures, in accordance with supervisory requirements and voluntary commitments.

6. Transparency and Disclosures

6.1. Corporate Reporting

Eurobank Cyprus as a member of the Eurobank Group ensures alignment with existing and upcoming regulations / standards applicable to the Group. In this regard, the Bank provides the Group with the required data for the following ESG related disclosures:

- The Group's Annual Report - Business and Sustainability,
- The Group's Sustainability Statement as per the requirements of the Common Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS),
- The Group's Report on Pillar III ESG information as per CRR requirements,
- The Group's Report on Green Asset Ratios in alignment with EU Taxonomy requirements.

Furthermore, the Bank's environmental and energy management performance, with respect to the improvement of its operational footprint, is monitored through specific indicators and associated targets disclosed also in the Environmental Report (EMAS). This constitutes an environment and energy monitoring and self-improvement tool, in line with commitments, regulated by applicable standards, audited & verified by independent third party. Within the EMAS Report framework, the Bank discloses the Green House Gas emissions record in line with the ISO14064 standard.

Through these Reports, the Group provides full disclosure on sustainability impacts, while addressing all material stakeholder interests across the ESG spectrum.

The Group's ESG related reports are accessible to all interested parties through the Group's corporate website.

6.2. Corporate Website

Eurobank Cyprus is also demonstrating transparency to its stakeholders through a dedicated ESG section on its corporate website. Through the ESG section, Eurobank Cyprus presents its strategic approach towards sustainability and all ESG related information.

The Wealth Management Division has a separate 'ESG Investment – Sustainability in Investment Services' section under 'Investment Services Regulatory Information & Disclosures', incorporating the website disclosures as applicable.

The Bank updates the disclosed information on a regular basis.

May 2025

Description of policies on the integration of sustainability risk

Owner APG AM Investment Risk Management
Version 3.0

Change log

Version	Date	Author	Change log
1.0	March 10, 2021	Project Group SFDR	Initial version
1.1	September 21, 2023	Project Group Investment Advice	Minor textual changes. Added references to ‘financial advisor’ and ‘investment advice’ in the introduction text “Description of sustainability risk policies” on p3 to indicate that the risk policies also apply to APG Asset Management’s investment advice services
2.0	May 22, 2024	CFRO Investment Risk Management Responsible Investments (“CFRO IRM RI”)	Outside-in perspective, alignment with updated APG AM Sustainability Risk Management Policy, asset class specific examples.
3.0	April 30th 2025	CFRO IRM RI	Alignment with the revised APG AM Sustainability Risk Management Standard, description of governance and tooling, general update of information disclosed

Description of policies on the integration of sustainability risk

APG Asset Management N.V. (**'APG AM'**, LEI: 549300XWC21UGFTCR876) is considered a financial market participant and financial advisor in accordance with the Sustainable Finance Disclosure Regulation (EU/2019/2088) (**SFDR**). Integrating sustainability risk in investment due diligence, risk management and governance processes are requirements under MiFID 2 and AIFMD rules; the Dutch Central Bank (DNB) also expects financial institutions to adequately manage sustainability risk. Under Article 3 of the SFDR, financial market participants and financial advisors are required to publish information on their website about their policies on the integration of sustainability risks in their investment decision making process and investment advice.

This Statement outlines how APG AM integrates sustainability risk in its investment decision-making process according to applicable regulations, also in the fulfillment of applicable disclosure requirements. Product-level disclosures in the pre-contractual documentation shared with our clients indicate the materiality of specific sustainability risks for the investments in that product. Given that sustainability risk management is a rapidly evolving field, as data, technology and tools, as well as expertise improve over time, APG AM's approach to sustainability risk management is regularly reviewed and adjusted where necessary. In the context of this Statement, 'sustainability risk' as defined under the SFDR refers to an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.

At APG AM, investing responsibly means using the assets managed on behalf of pension fund clients and their participants to make a difference and contribute to a sustainable future for current and future generations. This means taking into account human rights, the environment and good corporate governance in every investment decision, with the objective to contribute to an enjoyable, livable world for society as a whole while generating stable returns for those who entrust their pension assets to APG AM. Responsible Investing (**RI**) is enshrined in APG AM clients' strategic investment plans and part of the asset liability management process. The integration of sustainability factors in all asset classes is therefore an important feature of APG AM's responsible investment approach, which is designed to:

- contribute to risk-adjusted financial returns;
- demonstrate social responsibility; and
- contribute to the integrity of financial markets.

This entails that before making investment decisions, APG AM actively considers sustainability risks and the potential negative impact on the value of investments. Furthermore, APG AM remuneration policy, also disclosed on APG AM's website, is consistent with sustainability risk integration, insofar it does not incentivize excessive risk-taking in relation to sustainability risk, and Responsible Investment objectives.

APG AM approaches RI based on the double materiality principle. The companies in which APG AM invests on behalf of its clients not only face risks due to changing environmental and social landscapes, but also contribute to these risks through their operations. The concept of double materiality refers to the dual perspective of considering both the impact of environmental, social, and governance (ESG) issues on the value of the investments managed by APG AM (financial materiality or outside-in), and the impact of APG AM via its investments on ESG factors (inside-out). The outside-in perspective is addressed by the APG AM Sustainability Risk Management Standard, while the inside-out contribution to sustainability factors is reflected in our Responsible Investment policies. Under the APG AM Sustainability Risk Management Standard, however, reputational risk that may result from ESG factors at the investment level, for example from adverse ESG impacts, is also considered.

APG AM Sustainability Risk Management Standard

The APG AM Sustainability Risk Management Standard describes how APG AM identifies, assesses, mitigates, monitors and evaluates sustainability risk, including applicable governance mechanisms. As general principles, managing risk (including sustainability risk) is the responsibility of the first line. The risk management function in the second line provides risk controls and independently identifies and assesses potential risks. The third line, including Group Internal Audit, provides risk assurance on the operation of the risk management framework.

All decisions related to risk management aspects of APG AM, including on sustainability risk, are assigned to the APG AM Risk Committee, consisting of the full APG AM Board of Directors, the Chief Compliance Officer, the Managing Directors of Risk Management and Legal, Tax and Regulation, as well as representatives from APG Group Risk and Compliance, and Group Internal Audit. All investment decisions are adopted by the Investment Committee (IC) and its asset-class specific sub-committees. These are responsible for ensuring that all transactions meet the solvency, liquidity, return, risk diversification requirements and the prudent person principle, while guaranteeing quality and transparency of the investment process. Sustainability risk is also part of the risks discussed by these committees with specific sections included in both investment proposal templates and charters. Policies and methodologies for sustainability risk management fall under the responsibility of the Responsible Investment Board (RIB), a sub-committee of the IC responsible for change activities in the domain of Responsible Investment.

At APG AM, the process for managing sustainability risk does not differ from other risk management processes consisting of six steps: risk framework development and maintenance; risk identification; risk assessment; risk mitigation; risk monitoring & reporting; evaluation of the risk management cycle.

Risk framework development and maintenance aims at ensuring compliance with the investment guidelines of clients and adequately managing risks. The sustainability risk framework of APG AM encompasses all policies, procedures and technical tools, including APG AM Sustainability Risk Taxonomy, related to sustainability risk management for client investment risk. The various elements of the framework are then reflected in the Responsible Investment Implementation Guidelines, which implement RI and sustainability risk policies at the level of each asset class, including asset class-specific requirements. The sustainability risk management framework for client investment risk is developed and maintained by Investment Risk Management – Responsible Investment Team (IRM/RI).

Risk identification aims to determine risks that could likely have a negative impact on the value of investments, as well as reputational risk that may result from ESG factors. Risk identification is performed for invested portfolios which already take into account several conditions as defined in (clients') Responsible Investment policies, described further below and leading to improved sustainability risk profiles of the portfolios. For the purpose of sustainability risk identification, the widely accepted SASB (Sustainability Accounting Standards Board) materiality map forms the basis of

APG AM Sustainability Risk Taxonomy for corporate exposures. SASB materiality map identifies the financially material issues that are reasonably likely to impact the financial condition or operating performance of a corporate entity. These issues are grouped under five broader dimensions such as environment, social capital, human capital, business model and innovation, and leadership and governance. For products in the portfolio with direct sovereign exposures or exposures guaranteed by governments, the identification of material sustainability risk factors within the five sustainability risk dimensions is based on a sub-set of country level sustainability risk rating provided by Sustainalytics.

Investment teams link their sustainability risk identification to the APG AM Sustainability Risk Taxonomy which functions as a long list of possible risks. Based on portfolio characteristics and investment strategy, the investment teams identify material risks to form a short list of sustainability risks to be managed in a specific portfolio. Once the risk factors are identified, a ‘short list’ is documented at product (strategy) level. At least on an annual basis, these are reassessed due to rapidly evolving underlying risks and interactions between risks. Climate and biodiversity risk identification is performed for all asset classes and in particular for private market investments during underwriting; portfolio exposure is then continually monitored. The specific characteristics of each asset class determine whether transition risk, physical risk, or both, are identified as material and the type of risk assessment performed.

Risk assessment aims to determine how, to what extent and through which channels the risk will impact the value of the investment. Assessing potential risks that could (negatively) impact the investment portfolios and its constituents helps manage (reduce, accept, transfer, avoid) those risks. The assessment can be both qualitative and quantitative.

Investment teams perform the sustainability risk assessment on the short-listed risks. The assessment is performed at the underwriting stage and during periodic portfolio monitoring and can be either a qualitative or quantitative assessment. In the event risk metrics/indicators are not available, impact analyses, qualitative assessments, dialogue with investees/managers or expert judgement can be used to assess the risks. Sustainability risks, including physical and transitional climate risk under scenario analysis as well as reputational risk, are independently assessed by IRM/RI. Climate risk assessment is described with additional detail below.

The assessment of sustainability risk is made against thresholds determined by the risk appetite of APG AM’s clients. Clients have determined signal values based on specific qualitative and quantitative key risk indicators (KRIs) covering different sustainability risk factors. APG AM has linked the clients’ sustainability risk appetite, KRIs, and signal values to the APG AM sustainability risk taxonomy in order to monitor adherence to the clients’ risk appetite. For the time being, signal values have been only set up for listed corporate exposures, with their extension to other asset classes currently under development. Given the relative novelty and continuous improvement of sustainability risk management tools and methodologies, a risk level above the level indicated in signal values will not automatically result a breach, but it will instead trigger an in-depth assessment of the situation and the identification of suitable mitigants if necessary.

Risk mitigation aims to lower the risk to the level expressed under risk limits and signal values, by taking into account any existing mitigating actions and measures. Sustainability risk mitigation is primarily performed by the investment teams who determine the set of feasible and effective actions to mitigate short listed sustainability risks. Investment teams are responsible for executing risk mitigating actions. Inherent part of risk mitigation is the periodic assessment of the effectiveness of the measures taken to reduce risk, which should as far as possible be made measurable and subsequently monitored. When mitigation takes place through engagement with portfolio companies, the evaluation of its effectiveness is more complex, not least because the effectiveness of engagement may take time to fully materialize.

Risk monitoring and reporting aims to regularly assess the development of risk at the portfolio level on the basis of reports containing relevant sustainability risk indicators. Risk reports aim to regularly provide representative, accurate and timely information for the relevant stakeholders such as clients, regulators and internal stakeholders. Risk monitoring is performed by investment teams on product/mandate and total portfolio level, with independent monitoring performed by IRM/RI. Investment teams have set up periodic dashboards and reports to monitor the development of short-listed sustainability risks.

Evaluation of the risk management cycle aims to provide further insight into specific investments, risk dimensions, risk factors and the validity of risk mitigating actions. Risk evaluation is performed frequently both on a regular and ad-hoc basis to accommodate the respective needs for insight into the risk. The relevance of the sustainability risk level assessment and the effectiveness of the applied mitigation approaches is evaluated based on an annual sustainability risk evaluation. In the event of an inaccurate assessment or insufficient mitigation approach, the chosen assessment approach/method and mitigating actions are to be revised.

Examples of Sustainability Risk Integration for selected asset classes

Emerging Markets Equity (EME) Fundamental

EME Fundamental's investment approach integrates sustainability by emphasizing long-term value creation, active risk management, and a focus on the environmental and societal impacts of their investments. The investment team's process, designed to assess both risks and opportunities, relies on a comprehensive analysis that includes environmental, social, and governance (ESG) factors, facilitated by the involvement of Responsible Investment experts at crucial stages. This collaborative effort generally begins with a detailed bottom-up investment process that incorporates a wide range of information sources to evaluate the sustainability characteristics of potential investments, thereby ensuring that ESG considerations are central to investment decisions.

The sustainability risk appetite in EME Fundamental's investment process is shaped by their clients' responsible investing goals. Investment decisions are influenced by these policies, leading to a preference for companies with good governance and sustainability practices. This approach is complemented by careful attention to reputational risks that could affect the value of investments or the reputation of both EME Fundamental and their clients, underscoring a deep commitment to responsible investment.

EME Fundamental employs a multifaceted assessment strategy that includes a Quality Scorecard, sourcing external data and SASB factors, and ESG assessments to evaluate potential investments. These tools help in identifying and understanding the Sustainability risks and opportunities associated with each investment, guiding the decision-making process. The integration of these assessments into investment case meetings ensures that ESG issues are thoroughly debated and engagement priorities are set, highlighting the firm's proactive stance on sustainability. This rigorous pre-investment screening, coupled with ongoing monitoring and engagement, exemplifies EME Fundamental's dedication to mitigating risks and promoting sustainable and responsible corporate behavior throughout their investment portfolio.

Alternative Credits

In the Alternative Credits portfolio, sustainability risks relevant to investments are identified using the APG AM Sustainability Risk Taxonomy, expert judgment, and qualitative assessment. During the manager selection phase, a three-part assessment is conducted: examining past incidents in managers' portfolios related to sustainability risks, evaluating the manager's process for managing sustainability risks, and assessing sector-specific sustainability risks for significant portions of a manager's portfolio. An ESG due diligence questionnaire is sent to external managers to understand their policies and attitudes towards managing material sustainability risks. This assessment, along with identified risks and mitigants, is part of the investment proposal.

Mitigation of sustainability risks involves collaboration with external managers who commit to implementing ESG processes as per the APG AM RI Implementation Guidelines. In investment proposals, appropriate mitigants for potential risks are defined. The portfolio's sustainable risks are monitored quarterly using the APG AM Sustainability Risk Taxonomy, providing insight into any changes. Data from RepRisk is employed for continuous monitoring of severe ESG incidents. External managers are also required to report material ESG incidents to APG AM, and these are discussed in quarterly monitoring calls.

Annually, an external manager review is conducted, expanding to monitor sustainability risks per mandate and including a scorecard evaluation. The APG product is governed by the Life Cycle Management process, which updates the Management Team every six months.

Real Estate

As in the other asset classes, the Real Estate investment team addresses both inside-out sustainability factors and outside-in sustainability risks, translating them into financial underwritings using quantitative (Capex, Opex, discount rate) and qualitative metrics. Sustainability risks in this portfolio are identified, assessed, and monitored according to APG AM Sustainability Risk Management Standard.

To identify sustainability risks, the Real Estate team mandates its investee companies to regularly conduct materiality assessments, a requirement also embedded in standard global legal provisions. Due to the illiquid nature of real estate investments, sustainability risks are primarily mitigated at the individual asset level. To monitor the development of sustainability risks in the real estate portfolio, Key Risk Indicators (KRIs) are utilized, with regular checks to ensure they remain within predetermined norms/bandwidths.

The following list outlines APG AM's sustainability risk mitigants, assessment tools and frameworks for Real Estate investments:

1. Green Building Certification: Required for new and existing private investments, recommended for listed investments, encompassing a wide range of sustainability issues.
2. CRREM Alignment: Mandates alignment with Paris Agreement targets for energy and carbon intensity in private investments, incorporating these factors into financial valuations.
3. Physical Risk Dashboard: Employs a third-party tool to model and evaluate climate hazard exposure, impacting financial underwriting based on assessed risk.
4. Anti-bribery & Anti-corruption Policy and Whistleblower Program: Essential implementation of these policies, necessitating engagement if not in place.
5. ISS: Instrumental in issuing proxy votes and revealing governance and sustainability information.
6. Fee Principles (Private Real Estate): Establishes principles to guarantee fee alignment and limitation in private investments.
7. Corporate Governance Framework & Voting Policy (Listed): Specifies corporate governance expectations for listed entities, using proxy voting for enforcement and feedback.
8. Real Estate Remuneration Guidelines (Listed only): Targets board remuneration expectations, communicated via proxy voting and engagement.
9. RepRisk: Tracks severe incidents and violations of UN Global Compact principles, ensuring follow-up engagement.
10. Sustainalytics: Differentiates ESG leaders and laggards in the real estate sector, necessitating an engagement plan for investing in laggards.

Climate risk

APG AM quantifies the possible financial effects of climate risk via dedicated climate risk tools (CRG/ CCA by S&P) and scenario analysis in order to determine whether these effects are within the risk attitude of the clients expressed via their KRIs. For Equities and Credits, IRM/RI models the possible financial impacts of transition and physical climate risks and their effects such as, respectively, the change in value of the securities and expected physical risk-related costs. The tool employs the widely accepted climate scenarios developed by the Network for Greening the Financial System (NGFS) and the International Energy Agency (including Net Zero by 2050). These scenarios model the effects of both transition risk, i.e. the changes in policy, regulation, consumer preferences and technologies as a response to climate change, and physical risk, i.e. the damages and costs resulting from changed weather patterns, extreme events caused by climate change such as floods, droughts and wildfires.

APG AM also uses an additional tool, Climanomics by S&P, to determine in particular the climate change physical risk to which real assets may be exposed. Both at the asset level and at the portfolio level, the tool estimates a modelled annual average loss (MAAL) associated with various types of physical risks and transition risk under different scenarios. The tool uses geocoordinates in combination with the type of asset, different impact functions for each physical risk type and four representative climate scenarios (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5). It then determines MAAL over a ten-year period (i.e. 2020-30, 2030-49) until 2090.

In addition to these tools, asset-class specific scenarios of a qualitative nature are resorted to in several asset classes. Despite the more limited conclusions that can be drawn on the financial impact of climate risk, these assessments are helpful in identifying high risk exposures. For example, for governmental bonds, a country's exposure to transition and physical risk is determined by a combination of indicators provided by a third party and ND-GAIN indicators. The latter also indicate a country's vulnerability to climate change impacts as well as it capacity to respond to them.

APG AM undertakes several general measures to mitigate climate risks and seize climate related opportunities for APG AM's financial products. Examples of such measures are:

- Monitoring developments in national and global policy, markets and technology developments;
- Analysis of energy companies' transition strategies, capex plans and sector trends;
- Engagement with carbon-intensive companies on carbon emission reductions and climate risk management;
- Usage of sustainability standards for the assessment of sustainability performance by our investments, such as the Global Real Estate Sustainability Benchmark (GRESB) in Real Estate and Infrastructure, and Forest Stewardship Council (FSC) in timberland investments;
- Commitment not to make any new coal-related investments in the Infrastructure portfolio;
- Commitment to include coal-fired power capacity expansion as a factor in the Inclusion policy methodology. This means that we can only invest in companies which expand their coal-fired power capacity if there is a positive engagement outlook;
- Continuous monitoring of the energy mix of the portfolio of energy investments;
- Investment targets on Sustainable Development Investments in particular on investments contributing to Climate and Biodiversity Solutions, renewable energy investments, and carbon footprint reduction;
- Accounting for carbon pricing, reduced volumes of fossil fuels and other financial impacts in investment cases and the memos submitted to the APG AM Committee of Investment Proposals;
- In illiquid asset classes, an investment rationale focused on next-generation assets. Long-term risks are included in the due diligence and monitoring, and investments are subject to conditions and sign-off by the IRM/RI team.

Responsible Investment policies

The Responsible Investment policies that APG AM implements on behalf of its clients are based on eight principles, one of which is that *responsible investment is an integral part of the investment process at APG AM*. As a result, for every single investment, regardless of the investment category, APG AM weighs ESG criteria, meaning that APG AM decides whether to go ahead with an investment also based on environmental impact, social impact, and good governance. These criteria are as important to APG AM as returns, costs, and risk. This empowers APG AM to make better investment decisions, especially since APG AM invests for the long term.

One way in which we do this is by implementation of the Inclusion Policy, which is based on the UN Global Compact themes (human rights, labor, environment, and anti-corruption) and the expectations of investors and companies under the OECD Guidelines. The Inclusion Policy enables us to meaningfully identify companies in our portfolio that are considered to be leading on ESG and affect genuine change at companies through using our influence. Using APG's proprietary methodology, capital market investments are assessed and categorized into leaders and laggards. Investments in laggards require engagement in order to improve their sustainability performance. Engagement is therefore one of the cornerstones of the inclusion policy. We aim to invest only in companies that either perform adequately on our chosen sustainability indicators or those that we expect can make progress in these areas. In addition, specific clients have additional ESG criteria for including investments in their portfolios.

Our Corporate Governance Framework and Voting Policy explains our policy framework for corporate governance including our underlying principles and expectations and sets out our voting standards on main agenda items at companies' annual general shareholders' meetings. Climate change and sustainability related considerations, such as adherence to the standards as set by the Task Force on Climate related Financial Disclosures (TCFD), are taken into account in our voting decisions to address sustainability risks.

By means of the Sustainable Development Investments (SDI) Ambition we assess how the products and services of our investments contribute to adverse impacts on Sustainable Development Goals (SDGs) such as no poverty, zero hunger, good health and wellbeing, quality education, clean water and sanitation, affordable and clean energy, sustainable cities and communities, life on land, industry, innovation and infrastructure, responsible consumption and production, climate action, life below water, and life on land. Based on specific SDGs, one of our clients has set targets for investments contributing to climate transition and nature and biodiversity. Contributing to the SDGs is also the first step for an investment to be considered as Sustainable Investment and impact investments under that client's frameworks.

On behalf of two of our clients, APG AM has finalized an impact investing framework and has started executing impact investments in several asset classes. Impact investments are made with the intention to generate, next to financial returns, a positive and measurable social and environmental impact, in line with the best practices of the Global Impact Investing Network (GIIN).