

Eric Sturdza Management Company
S.A.

Sustainable Finance Regulation (“SFD”) & Responsible investing (“RI”) Policy

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Document History

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Abbreviation	Definition
AIFs / UCITS	An Alternative Investment Fund / An Undertaking for Collective Investment in Transferable Securities
ESMC or the Company or the Management Company or ManCo	Eric Sturdza Management Company S.A.
AIFM Law	Luxembourg law of 12 July 2013 on alternative investment fund managers as amended
AIFM Regulation	Commission Delegated Regulation (EU) n°231/2013 of 19 December 2012
Board of Directors	The Board of Directors
Conducting Officer or CO	A Conducting Officer
CSSF	Commission de Surveillance du Secteur Financier
ESG	Environmental, Social, and Governance Criteria
ExCo	Executive Committee where the Conductive Officers of the Management Company are attended
KRI	Key Risk Indicator
PPM or Private Placement Memorandum	Private placement memorandum of the AIFs
PRMF	The Permanent Risk Management Function
RI	Responsible investing
SFDR	Regulation (EU) 2019/2088 of the European Parliament and of the Committee of 27 November 2019 on sustainability-related disclosure
UCITS Law	Luxembourg Law of 17 December 2010 relating to undertakings for collective investment as amended
UCITS Regulation	Directive 2009/65/EC of the European Parliament and of the Committee of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities

1 General section for introduction and scope

This document is owned by the Management Company, public limited company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg and licensed by the financial supervisory authority of the Grand Duchy of Luxembourg (Commission de Surveillance du Secteur Financier or "CSSF") as Management Company chapter 15 of the 2010 Law and as alternative investment fund manager within the meaning of Chapter 2 of the Luxembourg law dated 12 July 2013 on alternative investment fund managers (the "AIFM Law") and also authorized under Article 125-2 of the Luxembourg law of 17 December 2010 on undertakings for collective investment.

The document disclose the requirements introduced by the regulation (EU) 2019/2088¹ of the European Parliament and of the Committee of 27 November 2019 on sustainability-related disclosures in the financial services sector.

the Luxembourg UCITS management company ("UCITS ManCo")/AIFM is responsible for the Article 10 SFDR website disclosures, irrespective of whether portfolio management has been delegated to a portfolio manager. The UCITS ManCo /AIFM will therefore have to ensure that all relevant disclosures are made on its website or on the website where fund-related documentation is usually made available to investors (such as the financial product's own website, the website of its initiator or that of the portfolio manager).

Our Policy applies to all assets managed by majority-owned ESMC's businesses and businesses under ESMC's management control. It also applies to every asset category and to all assets under management. We strive to implement the policy consistently, but deviations in relation to the policy's scope may apply in mandates.

1. Fiduciary investors

These investors may have their own specific requirements and criteria.

2. Assets managed by external asset managers

Although ESMC expects external managers to implement the key principles of their own policy for the assets that they manage and to monitor the implementation, exceptions may arise. The document should be published on their website and inform the management company in case of major amendment of the policy.

3. Assets managed by ESMC

ESMC applies the key principles of this policy for the assets under its management and to monitor the implementation, exceptions may arise.

2 Governance

We have a governance structure in place in which multi-disciplinary expertise is embedded and mandated to oversee, drive, and implement RI regulatory requirements.

We make sure the relevant people are involved in decision-making, that recommendations are shared and decisions are efficiently implemented. The ESMC Management Board provides strategic direction and the

¹ <https://eur-lex.europa.eu/legal-content/fr/ALL/?uri=CELEX%3A32019R2088>

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PRMF and Portfolio Management functions oversees the implementation of the Framework in investment-related processes.

In this governance structure, the ESG Committee and the other Committee if existing have an important role in making recommendations and decisions related to our policies and the engagement process.

2.1 Typology of the funds under management

We have three types of responsible investing strategies – ESG-integrated, sustainable and impact – to cater to a variety of client needs across a broad range of asset classes. For more information, see the Responsible Investing page of the relevant manager. We have used this categorization as a starting point for the SFDR classification of our funds and mandates, which reflects the level of transparency required. The classification can be found on the fund pages.

The more sustainable we claim a fund or mandate to be, the more information we need to disclose. The most relevant distinctions between classification, a strategy will be labelled under either Article 6, 8 or 9 of the SFDR:

1. [Article 6](#) covers funds which do not integrate any kind of sustainability into the investment process and could include stocks currently excluded by ESG funds such as tobacco companies or thermal coal producers. While these will be allowed to continue to be sold in the EU, provided they are clearly labelled as non-sustainable, they may face considerable marketing difficulties when matched against more sustainable funds.
2. [Article 8](#), also known as ‘environmental and socially promoting’, applies “... where a financial product 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.”
3. [Article 9](#), also known as ‘products targeting sustainable investments’, covers products targeting bespoke sustainable investments and applies “... where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark.”

2.2 Governance of responsible investing

Our governance structure ensures that we continue to optimise long-term risk-adjusted returns for our clients, while staying focused on having a positive impact on society at large.

ESMC’s approach to responsible investing is organised in a structured way. We make sure the relevant people are involved in decision-making, that recommendations are shared and decisions are efficiently implemented.

1. [The Investment Manager](#)

The investment teams integrate ESG factors into the investment process and to strengthen and oversee the active ownership activities. Its members also provide advice and give their expert opinion on RI-related matters in the global context of the investment practices.

The team drives voting and engagement activities and ESG integration as well as thought leadership on related RI topics on behalf of the funds. In the company’s organisational structure,

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they are located at the core of the investment teams, reporting directly to the senior management of the asset manager and to ESMC.

2. The ESG Committee

The Committee plays a key role in the active approach as share- and debtholders. Its role is to monitor engagements, assess controversies and provide recommendations to the ESG Committee on the appropriate steps to take. They also monitor progress made by companies who are in the process of remedying past controversies. Acting in an advisory capacity, the Committee meets on a regular basis to discuss engagement activities and updates, and determines the next steps required to achieve the engagement objectives at individual company level.

The ESG Committee is chaired by ESG officer and comprises senior representatives of business segments such as risk management and product management and portfolio management. It meets at least four times a year and ad hoc if needed, and advises funds and Management company board on the implementation of the responsible investing framework.

The Committee’s objectives are to advise or decide on policies and investment initiatives and to make recommendations regarding the Exclusion List.

The ESG Committee has been mandated to assess whether or not an issuer is in violation of the norms-based RI criteria, and if engagement will help to address the violation. This entails assessing whether a violation of norms-based RI criteria has occurred, based on a quarterly screening of our investment universe for controversial activity and controversial conduct.

The ESG Committee validates the assessment of violations where engagement is not (or no longer) deemed feasible, and decides whether to make a recommendation to the Board to place the country, sector or company on the Exclusion List.

3 Taxonomy Regulation and delegated acts²

The Taxonomy Regulation was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. It could play an important role helping the EU scale up sustainable investment and implement the European green deal. The EU taxonomy would provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable.

The Taxonomy Regulation establishes six environmental objectives

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

²https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

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The Taxonomy Regulation applies to fund managers of investments funds that have been classified article 8 and 9. The prospectus and PPM are amended on regular base to comply with the regulation and the requirements.

On October 22 2021, ESMA issued the final report on the draft regulatory technical standard (RTS³) (level 2) with regard to the content and presentation of disclosures pursuant to Articles 8(4), 9(6) and 11(5) of the SFDR. This sets out the detail of the EU Taxonomy-related fund pre-contractual disclosures and periodic reporting and applies from January 2023.

4 Responsible investing implementation

4.1 Implementation of the principles by an external asset manager

the Luxembourg UCITS management company (“UCITS ManCo”)/AIFM is responsible for the Article 10 SFDR website disclosures, irrespective of whether portfolio management has been delegated to a portfolio manager. The UCITS ManCo /AIFM will therefore have to ensure that all relevant disclosures are made on its website or on the website where fund-related documentation is usually made available to investors (such as the financial product's own website, the website of its initiator or that of the portfolio manager).

In the case where the portfolio management is delegated, the policies⁴ of the asset manager are applicable and should be available on the IM’s website in a dedicated menu related to ESG approach. ESMC ensure the compliance of the principle by an oversight.

- VIA AM

<https://www.via-am.com/en/esg>

- E.I. Strudza Strategic Management Limited

<https://ericsturdza.com/about-us/environmental-social-governance-esg/>

4.2 Implementation of the principles by ESMC as manager

This section lays out the mandatory minimum requirements for all assets managed by ESMC.

A key part of our approach to Responsible Investing is that where possible and feasible, we aim to mitigate the negative impacts of our investments on the sustainability factors. These negative impacts are also called adverse impacts, whereby the most significant adverse impacts are referred to as principal adverse impacts. These principal adverse impacts can occur in different areas, such as related to environmental, social and employee matters, human rights, corruption and bribery matters. The exact application can differ between asset classes and strategies.

We continuously seek additional ways to mitigate adverse impacts in a robust and meaningful way and will include additional adverse impacts in our Responsible Investment approach in line with the SFDR requirements.

4.2.1 Restriction criteria

³https://www.eiopa.europa.eu/sites/default/files/joint-committee/jc_2021-50-final-report-on-taxonomy-related-product-disclosure-rts.pdf

⁴ The policies are not limited to the ESG principles but all Responsible investing policy documents to strengthen its approach to responsible investment.

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We have developed norms-based responsible investing criteria to which issuers need to adhere. These criteria apply to all types of strategies and are a reflection of relevant laws, our values, and internationally recognized standards such as the UN Global Compact principles, the UN Guiding principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The norms-based RI criteria form the bases of our set of restrictions, but we can choose to make the criteria more or less strict or add more elements to our restrictions approach. These criteria reflect the minimum requirements that the entities in which we invest need to fulfil and are periodically updated and revised.

A key element of the approach is our belief in inclusion over exclusion. However, before we start analyzing and selecting individual investments, we form an opinion on the investable universe in general and apply this to all our assets under management, which is a key step in our due diligence of the adverse impacts of our investment decisions. In the event that there are strong indications that an issuer may have failed to meet any of our minimum requirements, we have to determine whether this constitutes a violation. This information on potential violations can come from external ESG research or engagement providers, input from our own investment staff, or from other parties, such as NGOs or media sources.

ESMC determines the eligible investment universe by excluding controversial activities and controversial conduct that are not in line with our norms-based responsible investing criteria. We apply an engagement-led divestment approach and therefore first assess whether it is possible to engage with the company in question to address the violation. If we decide that engagement is feasible, a formal engagement process must be started in order for the company to remain eligible for investment. If, after what is typically a three-year period, the engagement process has not led to the desired changes, we might consider the company ineligible for investment and remove it from our investment universe

4.2.1.1 Exclusion

ESMC adheres to the overview of applicable restrictions to the investment universe. The ESMC Exclusion List is publicly available on the RI policies page of our website: <http://www.ericsturdza.lu/>⁵

For all strategies, the ESG Committee has been mandated to assess whether or not an issuer is in violation of the norms-based RI criteria, and if engagement will help to address the violation. This entails assessing whether a violation of norms-based RI criteria has occurred, based on a quarterly screening of our investment universe for controversial activity and controversial conduct. If this is considered to be the case, the ESG Committee then has to decide whether to engage with the issuer or to provide a recommendation to the Management Board of ESMC and the ESG Committee on whether or not to restrict the issuer, which is reflected in Exclusion List. The ESG Committee has an advisory role with respect to changes on the Exclusion List which have to be approved by the ESMC Board.

ESMC applies an engagement-led divestment approach and therefore first assesses engagement potential with issuers to address any violations. Only when engagement is not considered feasible – such as in most cases of involvement in controversial weapons, for example – will ESMC consider removing the issuer from the eligible investment universe.

For the Sustainable and Impact strategies, the ESG Committee decides on the issuers that need to be excluded based on the additional restriction criteria applicable to these strategies.

4.2.1.2 Violation areas and criteria

⁵ ESMC is not currently appointed as manager, consequently, there is no data published

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Violations can currently occur in relation to the following areas :

- Governance
- Human rights
- Labour rights
- The environment
- Bribery and corruption

In these areas, the norms-based RI criteria consist of two main categories:

- Controversial activities
 - Controversial Weapons
 - Arms trade to entities that are subject to arms embargoes
 - Tobacco production
 - Oil sands extraction
 - Mining of thermal coal
- Controversial conduct
 - Corporates: Issuers that severely and systematically violate the UNGC principles and/or the UN GP on Business and Human rights and/or the OECD Guidelines
 - Countries: Sovereign issuers involved in severe and systematic violations of Human Rights, against which arms embargoes have been issued by the UN Security Committee

4.2.1.2.1 Controversial activities

Development, production, maintenance or trade of controversial weapons

ESMC considers certain weapons to be controversial due to their disproportionate and indiscriminate impact on the civilian population. This is the case for anti-personnel landmines, cluster munitions, biological weapons, chemical weapons, depleted uranium ammunitions, and white phosphorus weapons.

We restrict companies that are involved in activities such as production, research and development, sale or trade, maintenance, system integration and testing of products or services that are considered dedicated and essential for the lethal use of these type of weapons. In defining these weapons, we follow widely accepted international conventions or, where those are not available, we have developed our own criteria applying a precautionary principle. Separate criteria have been developed for nuclear weapons in addition to the criteria above, since they have a different character from other weapon types. ESMC restricts companies that are involved in nuclear weapon activities and that:

- (i) are domiciled in countries that are not signatories to the Non-Proliferation Treaty, or
- (ii) contribute to nuclear weapons programs of non-NATO member states.

ESMC adopted an exclusion policy which restricts any investment in a company involved in controversial weapons:

- Ottawa Treaty on the Prohibition of Anti-personnel Mines, 1997
- Oslo Convention on the Prohibition of Cluster Munitions, 2008
- Paris Convention on the Prohibition of Chemical Weapons, 1993
- Convention on the Prohibition of Biological Weapons, 1975
- Treaty on the Non-Proliferation of Nuclear Weapons, 1968

The controversial supply of arms

ESMC considers the trade of arms to certain countries or non-state actors as controversial, due to the high risk that these arms will be used to commit severe human rights violations or prolong conflict.

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We restrict companies that demonstrably engage in activities related to making weapons, weapon systems, or related material or services available to

- (i) countries that are subject to a UN or EU arms embargo that is targeting the central government or
- (ii) non-state actors sanctioned by the UN or EU. Not in scope are companies that have such activities in relation to humanitarian missions or to (peacekeeping) military missions that have been commissioned by the international community.

Tobacco production

ESMC has concerns regarding public health as well as the economic burden that smoking places on society. We therefore restrict companies that are involved in the production of tobacco products. Producers are restricted when tobacco products account for 50% or more of their revenues.

Oil sands extraction

Oil sands, also known as tar sands or crude bitumen, is a form of heavy oil found in sand and rock. Oil sands can be mined and processed to extract the oil-rich bitumen, which is then refined into oil. ESMC recognizes that oil sands development poses serious environmental and social challenges, as it leads to higher greenhouse gas emissions than conventional crude oil. Furthermore, the production of oil sands and its transport via pipelines generates significant human rights concerns and is a serious contributor to local environmental pollution. ESMC has assessed the engagement potential for companies in the sector and has concluded that engagement is not expected to achieve the desired results.

We therefore restrict companies whose business models are dependent on the extraction of oil sands. This is defined as deriving more than 20% of their revenues from oil sands extraction. In addition, we restrict on a firm-wide basis pipeline operators that are involved in oil sands transportation projects that are in dispute, and when engagement is not expected to achieve the desired results. These restrictions significantly contribute to de-risking our portfolios in terms of our carbon footprint.

Mining of thermal coal

Thermal coal is predominantly used for power and heat generation. Of all fossil fuel energy sources, thermal coal generates the highest volume of greenhouse gas emissions when combusted. ESMC recognizes that meeting the ambitions set out by the Paris Agreement will require the world to replace fossil fuels with low-carbon energy sources.

We therefore restrict companies whose business models are dependent on the mining of thermal coal. This is defined as deriving more than 20% of their revenues from mining thermal coal. Metallurgical coal or coking coal (a key raw material in steel production) is not governed by this criterion.

4.2.1.2.2 Controversial Conduct

Companies

We expect the companies in which we invest to act in accordance with relevant laws and internationally recognized standards such as the UN Global Compact principles, the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises.

Based on these internationally accepted standards and underlying principles, we expect adherence in the areas of proper governance, respecting human rights and labor rights, protecting the environment and prevention of bribery and corruption.

If there are strong indications that an issuer may be in violation of any of the minimum requirements, a decision needs to be taken on whether we consider this a violation of our criteria. Examples of such indications include research from external ESG research or engagement provider(s), inputs from our own (investment) staff or information from nongovernmental organizations or media sources. If we assess that a

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company is severely and systematically violating these standards, we will begin an engagement process in order for the company to remain eligible for investment. If after a three-year period the engagement process fails to lead to the desired changes, ESMC might consider the company ineligible for investment and can remove it from its investment universe.

Identifying corporate issuers

For each issuer, the corporate tree needs to be analyzed in order to decide which issuing parties are considered in-scope of being in violation:

1. A company itself is in violation
2. A company owns a majority stake (>50%) of a company that is in violation
3. A company has more than 50% of its shares owned by a company that is in violation

For involvement in controversial weapons, the ownership threshold under item 2 is set at 25% or more. For majority-owned subsidiaries (item 3) an exception can be granted if there is strong evidence that the subsidiary is not involved in any of the business activities or behavior for which the parent company is excluded. Such exceptions will not be granted if the parent company is excluded because of involvement in business activities that relate to controversial weapons and/or controversial supply of arms.

Countries

We restrict sovereign issuers involved in severe and systemic violations of Human Rights and thus restrict countries against which arms embargoes have been imposed by the United Nations Security Committee. Countries on the global money laundering and terrorist financing watchdog, Financial Action Task Force list, that are subject to a “Call for Action” are also restricted. The sanction laws and regulations through application of the Financial Economic Crime (FEC) policy could be applicable.

Identifying sovereign issuers

The following issuers are considered in scope in the case of country-related restrictions:

1. Sovereigns (countries)
2. Sub-sovereigns (states, provinces, municipalities)
3. Quasi-sovereigns (government-related or government backed issuers, such as agencies)

It should be noted that when a country is restricted based on the stipulations of this policy document, this does not automatically lead to the restriction of corporate issuers that are active in the restricted country

4.2.1.3 Additional restriction criteria for Sustainable and Impact strategies

In addition to the firm wide restrictions criteria, ESMC applies more stringent restrictions for its Sustainable and Impact strategies. For these strategies, ESMC avoids investments that are not in line with the ‘do no significant harm’ principle. As a result, additional restrictions related to below mentioned business activities are applied as these activities are contradictory to sustainable development and may detract from the ability to reach sustainability objectives. In some cases, tighter restrictions are applied for business activities that are already restricted for all assets.

Adult entertainment

The adult entertainment sector can be contradictory to the principle of respecting human dignity and could be in violation of human rights. Issues faced by this sector include sexual violence, human trafficking, violation of health and safety standards, sub-standard wages, links with organized crime and discrimination. We apply a maximum of 5% of revenues on the production of adult entertainment and a 10% limit on the distribution.

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Arctic drilling

Arctic drilling is considered part of the unconventional oil & gas sector and in particular poses higher risks of oil spills than conventional oil & gas. This has the potential to affect biodiversity, including local wildlife, and people in a destructive and irreversible way. Once an oil spill occurs, it is difficult to clean up and defuse. Safety is also an important issue, given the remote location of these activities. We apply a maximum of 10% of revenues of combined exposure to all forms of unconventional oil (defined as shale oil & gas, oil sands and arctic drilling). In addition, our Sustainable and Impact strategies do not finance companies with expansion plans for unconventional oil & gas extraction.

Fur & specialty leather

We restrict investments in issuers with involvement in fur and specialty leather, because the production of fur and leather can be linked to violation of animal welfare. We apply a maximum of 5% of revenues on the production of fur and specialty leather and a maximum of 10% of revenues related to distribution or retail activities.

Gambling

Investments in gambling are restricted for our Sustainable and Impact fund range as this industry is often linked to addiction, compliance issues with underage gambling, bribery and corruption, and organized crime. As such, the gambling industry does not contribute to and may detract from enabling people to secure their financial future. We apply a maximum of 5% of revenues on gambling operations and a maximum of 50% of revenues related to specialized equipment and/or products or services that support gambling operations.

Nuclear energy⁶

Companies and countries that are exposed to nuclear power generation should be capable of meeting essential requirements regarding safety and protection of populations and the environment. We closely follow developments and ESG issues relating to nuclear energy. We maintain a 0% threshold for electricity utilities constructing additional nuclear-based power production installations. We will also not finance existing nuclear power plants where construction commenced after 2019, unless it will be shut down upon expiry or maintenance is conducted purely to extend the life of the plant and will be subsequently be shut down upon expiry.

Oil sands extraction (additional restrictions)

ESMC recognizes that oil sands development poses serious environmental and social challenges, as it leads to higher greenhouse gas emissions than conventional crude oil. Furthermore, the production of oil sands and its transport via pipelines generates significant human rights concerns and is a serious contributor to local environmental pollution. We apply a maximum of 5% revenues from oil sands extraction. In addition, we apply a maximum of 10% of combined revenues generated from all forms of unconventional oil (defined as shale oil & gas, oil sands and Arctic drilling).

Shale oil & gas⁶

⁶ Excluding fossil gas and nuclear energy activities which meet the Taxonomy Complementary Climate Delegated Act³ on 1 January 2023 requirements, which will consider fossil gas and nuclear energy activities as being taxonomy-aligned if they meet certain conditions could be if meet the list of criteria, excluded from the binding.

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Shale oil, also known as tight oil, and shale gas are types of unconventional oil and gas which are trapped in shale formations that must be hydraulically fractured to extract. Producing shale oil & gas thus has a more destructive environmental impact than the production of conventional oil & gas. Examples of environmental and social risks associated with shale oil production are water stress, the risk of land contamination, pollution, leakage of greenhouse gas emissions, safety, and community impacts. The exploration of shale gas requires a large number of wells, leading to atmospheric pollution, air pollution, methane movement, high level of noise and water contamination. We apply a maximum revenue threshold of 10% of combined exposure to all forms of unconventional oil (defined as shale oil & gas, oil sands and Arctic drilling). In addition, our Sustainable and Impact strategies do not finance companies with expansion plans for unconventional oil & gas extraction.

Thermal coal mining (additional restrictions)

Thermal coal is predominantly used for power and heat generation. Of all fossil fuel energy sources, thermal coal generates the highest volume of greenhouse gas emissions when combusted. ESMC recognizes that meeting the ambitions set out by the Paris Agreement will require the world to replace fossil fuels with low-carbon energy sources. We therefore restrict companies whose business models are dependent on the mining of thermal coal. For our Sustainable and Impact fund range, the revenue threshold is stricter, allowing for a maximum of 5% of revenues from coal extraction.

Tobacco (additional threshold restrictions)

ESMC has concerns regarding public health as well as the economic burden that smoking places on society. We therefore restrict companies that are involved in the production of tobacco products. For our Sustainable and Impact strategies, a tighter threshold applies. We restrict tobacco producers when tobacco products account for 5% or more of their revenues. We also apply a maximum of 10% on revenues from distribution or retail activities and from related products and services.

Weapons (additional threshold restrictions)

In addition to the restrictions on controversial weapons and the controversial supply of arms, involvement in small arms and military contracting is also restricted for our Sustainable and Impact range because of their link to violence, crime and corruption. We apply a maximum revenue threshold of 5% for production of weapons or the supply of key and dedicated components.

In addition to the above criteria, for the Sustainable and Impact strategies that have received a Sustainability label, we also adhere to the additional criteria as prescribed by the label.

4.2.2 ESG Integration

ESG integration relates to evaluating environmental, social and governance factors in the investment case in light of their potential impacts on financial returns. ESMC believes that systematically integrating ESG factors into the investment and decision-making process enhances investment decision-making and long-term risk-adjusted returns.

ESG integration explicitly includes identifying the sustainability risks related to an investment as part of our investment due diligence process, quantifying these risks (to the greatest extent possible), and then incorporating them into the investment case and decision-making process. This is done in a consistent and auditable manner to ensure ESG or sustainability factors relating to an investment or investment proposal are sufficiently understood or recognized and includes monitoring the investment on an ongoing basis. Where possible and feasible, these risks are also addressed as part of both engagement and voting, with the aim of reducing their potential financial impact and negative impact on society as a whole.

ESMC employs a three- step approach to ESG integration: identify, assess, and integrate.

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1. Identify

The first step towards ESG integration is to identify material ESG issues at company, sector and country level.

2. Assess

In the case of investments in companies, we evaluate each company’s performance on material ESG issues. Next we examine how well these translate into the business strategy and what opportunities they offer. Finally, we discuss and analyze potential controversies and their impact as part of this process. In the case of investments in sovereign bond issuers, we analyze and evaluate a country’s performance based on ESG factors and potential controversial issues. We use this information to compare different countries with each other.

3. Integrate

Finally, we incorporate these ESG analyses into the investment cases and they are taken into account throughout the investment process.

By consistently following this approach, we ensure that all our investment decisions take into account potentially material ESG issues and opportunities wherever possible. Although the approach always includes these three steps, implementation may differ between strategies. For example, the type and quality of data and its availability can vary significantly. ESG integration for sovereign bond portfolios uses different data sources to those we use for analyzing companies.

4.2.3 Engagement and voting

4.2.3.1 Engagement

ESMC uses internationally accepted standards of corporate behavior – the guidelines/principles developed by the United Nations, the International Corporate Governance Network (ICGN) and the Organization for Economic Cooperation and Development (OECD) – as the starting point for engagements. We engage in three different ways, as outlined below.

Controversy engagement

Controversy engagement focuses on companies that severely and structurally violate ESMC’s norms-based criteria in the areas of governance, human rights, labor rights, the environment, and bribery and corruption. This type of engagement can be referred to as reactive. An engagement escalation strategy is set in place to maximize the effectiveness of the engagement.

Thematic engagement

Thematic engagement focuses on different themes that have a material impact on society, and where we believe our engagement efforts can achieve beneficial change. This type of engagement can be referred to as proactive. The engagement themes are selected in consultation with portfolio managers/analysts and external stakeholders, and may change over time due to changing market developments and stakeholder expectations.

ESG dialogues

In addition to the two engagement methods outlined above, analysts and portfolio managers also maintain regular bottom-up dialogues with investee companies on ESG subjects that ESMC believes may have a material impact on their value.

Public policy engagement

ESMC advocates policy and legislation that support sustainability and shareholder rights. This is done primarily via a number of international industry bodies that ESMC is a member of and through

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collaborations with other investors. More information on our activities outside ESMC can be found in our website.

4.2.3.2 Voting

ESMC have decided to base our corporate governance and proxy voting policy on generally accepted best practices. These best practices are, for example, reflected in the OECD Principles of Corporate Governance and the Global Corporate Governance Principles of the International Corporate Governance Network. While we believe that there are some overarching principles of corporate governance that apply globally, we recognize that practices vary from one country to another.

In order to effectively represent our clients in their role as shareholders, we vote at as many shareholder meetings worldwide as we possibly can. We cast proxy votes in a way that best serves the beneficial owner of the assets, while also taking into account the interests of companies’ stakeholders. To this end, we have set up a proxy voting policy for exercising voting rights at shareholder meetings on behalf of client assets. This policy is implemented by the proxy voting in order to ensure that all management and shareholder proposals are voted on in a way that is aligned with our policy. We also actively review the customized voting recommendations provided , in order to assess these in the light of a company’s unique circumstances.

Principles followed by ESMC as asset manager

- ESMC will exercise the voting rights attached to the assets it manages, unless exercising these rights is not in the interest of the beneficial owner of the assets or is not allowed under local regulation. In case of disproportionate costs or impracticability, ESMC may refrain from exercising the voting rights at its sole discretion.
- ESMC will vote in a way that best serves the interests of the beneficial owner of the assets. This may include deviating from the voting guidelines, if doing so would best serve the interests of the beneficial owners of the assets.
- Voting rights attached to individual clients’ assets will be exercised in the exclusive interest of the client.
- When appropriate, feasible and in the best interest of our clients, ESMC will enter into a dialogue with investee companies in order to discuss material ESG risks and opportunities that are considered critical for the long-term profitability of the company.
- ESMC reports on the execution of the voting policy on a continuing basis (accessible here and through our website).

Principles ESMC expects the investee companies to respect

- All shareholders should be given the opportunity to participate effectively, and on an informed basis, in shareholder meetings. The exercise of ownership rights by all shareholders should be facilitated, including giving shareholders timely and adequate notice of all matters proposed for a shareholder vote.
- Investee companies should maintain transparency in their organization and decision-making procedures, business model, strategy and risk oversight. They should disclose information necessary to enable shareholders to make an informed decision on voting issues and on whether to buy, hold, or sell a security issued by the company.
- Investee companies should comply with generally accepted corporate governance best practices as well as the corporate governance standards that are applicable in the country of domicile.
- Investee company management should always be accountable to shareholders and stakeholders. Both management/executive directors and supervisory board/non-executive directors should base their decisions on the long-term interests of the company, its shareholders and its stakeholders.
- Merger and acquisition proposals should be considered in the interest of enhancing long-term shareholder value.

investing (“RI”) Policy

- To ensure long-term performance for the shareholders, investee companies should act responsibly towards all stakeholders. This includes recognition of the impact of business decisions on the environment, as well as recognition of the – positive and negative – impact of their business decisions on social and human rights issues in the regions in which they operate.
- The interests of management should be aligned with the long-term interests of the company and its shareholders, including when it comes to executive compensation. To ensure alignment of executive and shareholder interests, executive compensation should be adequately matched with key performance indicators (KPIs).

4.2.4 *Transparent reporting*

Transparent reporting is the fourth pillar of our responsible investing approach. We regularly report on our Sustainable and Impact strategies in the context of ESG factors.

In addition, we report transparently on both the entity level and the financial product level in accordance with the requirements of SFDR, and will add additional disclosures in line with the requirements that are being phased in during the period 2021-2023. This is reflected in ESMC’s pre-contractual disclosures, website disclosures, and periodic disclosures.

Furthermore, ESMC seeks to ensure that companies recognize the importance of transparent disclosure as part of our engagement approach. They are accountable to their stakeholders and must show how they are addressing ESG issues. They also need to be transparent on the policies and processes they have in place to make their business more sustainable.

5 Policy review

Any material update to the will be reflected in an updated version of the Policy, which in turn will be communicated to and approved by the senior management.

The Management Function aims to ensure that any on-going developments and improvements in responsibility investments are included in the Risk Management Policy and any material change is communicated to the senior management

6 Appendix: List of the funds

Please find below the list of the funds which applied the current policy with ESMC as Portfolio Manager:

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