



SUSTAINABILITY RISKS POLICY

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1. PREAMBLES

DIVERSIFIED ASSET MANAGEMENT S.A. (hereinafter referred to as “DAM”) is a wealth manager with its registered office in Luxembourg, and which is supervised by the *Commission de Surveillance du Secteur Financier* (hereinafter referred to as the “CSSF”).

DAM conducts its business activities in accordance with Articles 24-1, 24-2, 24-4, 24-5 and 28-6 of the Law of April 5th, 1993 on the financial sector, as amended (hereinafter referred to as the “Law of 1993”).

As per Section A of Annex II of the Law of 1993, DAM is licensed, in its capacity as a professional of the financial sector, specifically an investment firm, to provide the following investment services and activities:

1. reception and transmission of orders in relation to one or more financial instruments;
 2. execution of orders on behalf of clients;
 3. portfolio management;
- and
4. investment advice.

In addition, as per Section C of Annex II of the Law of 1993, DAM is licensed to offer the following ancillary services:

1. safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management;
 2. granting credits or loans to an investor to allow the latter to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
 3. foreign exchange services where these are connected to the provision of investment services;
- and
4. investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.

Also, DAM is authorised to carry out family office activities, in accordance with the Law of December 21st, 2012 relating to the Family Office activity, as amended.

Finally, it is to be noted that, in accordance with the categorisation of investment firms introduced as of June 26th, 2021, that is further to the entry into force of the Investment Firms Regulation¹, DAM is a so-called Class 2 IFR investment firm.

This Sustainability Risks Policy (hereinafter referred at as the “Policy”) was drafted, and approved, by the Executive Committee of DAM.

It was subsequently approved by the Board of Directors of DAM.

¹ Regulation (EU) 2019/2033 of the European Parliament and of the Council of November 27th, 2019 on the prudential requirements of investment firms.

2. VERSION HISTORY

Version number	Date of approval by the Board of Directors	Member of the Executive Committee responsible for the version	Description
1.0	18.2.2022	Salvo ANDRONICO	First issue

DATE OF APPROVAL BY THE BOARD OF DIRECTORS - V 1.0 18.2.2022	
Name: Salvo ANDRONICO	Name: Olivier CONRARD
Title: Managing Director	Title: Managing Director and Chief Compliance Officer
Signature:	Signature:

3. PURPOSE AND SCOPE

3.1 Purpose

The purpose of this Policy is to describe how DAM, when offering discretionary portfolio management services to its clients, takes sustainability risks into consideration within its investment process, in accordance with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27th, 2019 on sustainability-related disclosures in the financial services sector (hereinafter referred to as the “SFDR”).

As per Article 2 (22) of the 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 (an) investment”.

Accordingly, poor management of sustainability risks by DAM could result in a negative financial impact on the investments that it makes on behalf of its clients.

For example, if a company into which DAM invests has its main factories located in an area exposed to flooding, there is arguably a high risk of damage to its assets or of disruption to its production. In the event of a disaster, the economic value of the company could be negatively impacted, and thus the investment too.

Similarly, gender inequality in the composition of the board of directors of a company could cause a reputational risk for the said company, which could in turn negatively impact its economic value, and thus also the investment made by DAM.

Considering the foregoing, DAM has identified various environmental, social or governance (hereinafter referred to as “ESG”) factors which are relevant to its investment process, as follows:

- **Environmental** factors include, but are not limited to, climate change, sustainable use and protection of water and marine resources, waste prevention and recycling, pollution prevention control and protection of healthy ecosystems.
- **Social** factors include, but are not limited to, human rights, gender equality, discrimination and labour rights.
- **Governance** factors include, but are not limited to, sound management structures, employee relations, remuneration of relevant staff and tax compliance.

It is to be noted that the integration of ESG factors into the investment process helps to assess both the risks and the rewards associated with an investment -as indeed ESG factors can also have a positive impact on a given investment (i.e. they can generate opportunities). Therefore, taking into consideration ESG factors typically results in better-informed investment decisions by DAM, which could in turn result in higher risk-adjusted returns. Still, for the purpose of this Policy, sustainability risk is meant as the negative materialization of ESG factors.

3.2 Scope

This Policy applies to the entire investment universe of DAM in respect of its discretionary portfolio management services, i.e. it applies to the following four asset classes:

- (i) listed shares,
 - (ii) listed bonds, be they issued by corporate or sovereign issuers,
 - (iii) investment funds (in the broader sense of the term, thus including exchange-traded funds)
- and
- (iv) structured products.

4. MANAGEMENT OF SUSTAINABILITY RISKS

The management of sustainability risks by DAM revolves around the twin concepts of (i) exclusion and (ii) controversy monitoring; also, it varies per asset class.

Specifically, DAM manages sustainability risks as follows:

4.1 Exclusion

Exclusion is the conscious refusal to purchase transferable securities, such as shares or bonds, issued by a company or by a sovereign issuer, or conversely the conscious divestment of such securities.

DAM believes that exclusion is a powerful tool to manage sustainability risks.

At the time of issue of this Policy, DAM is actively designing a process which, when implemented, might result in excluding from its investment universe **sectors and industries** which by nature are more exposed to sustainability risks than others (e.g. fur trade, pornography, etc.).

4.2 Controversy monitoring

Controversies refer to events or incidents impacting an issuer which might in turn have a negative impact on the environment, on society, on the said issuer's stakeholders, etc.

DAM believes that controversy monitoring is another powerful tool to manager sustainability risks.

At the time of issue of this Policy, DAM is actively designing a process of controversy monitoring across the four asset classes listed above, under ‘3.2 Scope’.

This process, which, when implemented, might result in DAM excluding a particular **issuer** from its investment universe, makes use of third-party data suppliers, as follows:

4.2.1 Shares and bonds

Regarding **listed shares and corporate bonds**, DAM monitors their issuers -namely companies- with a view to identifying potential controversial behaviour on the basis of the ESG scoring of the said companies provided by various data suppliers, such as Bloomberg, MSCI, S&P and Sustainalytics -as per the example below regarding the shares of International Business Machines Corporation (commonly known as IBM).

IBM US Equity		Export to Excel		Environmental, Social & Governance Analysis			
International Business Machines Corp				History 5 Years		Currency USD	
Summary	vs History	vs Peers	97 ESG Scores RV ESG »				
	Environmental	Better		S&P Global ESG Rank	73	ISS QualityScore	9
	Social	Better		Sustainalytics Risk Score	14.77	CDP Climate Score	7
	Governance	Worse		Bloomberg ESG Disclosure	57.4	MSCI Rating	AA

Regarding **listed sovereign bonds**, DAM monitors their issuers -namely governments (federal, regional), supranational organisations, etc.- with a view to identifying potential controversial behaviour on the basis of the Worldwide Governance Indicators (hereinafter referred to as “WGI”), which were designed with the support of the Knowledge for Change Program of the World Bank (<https://info.worldbank.org/governance/wgi/>).

Specifically, DAM relies on the WGI scoring provided by Fitch, which is based on the six dimensions of governance of the WGI, namely Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption -as per the example below regarding the sovereign bonds of France.

ESG - Governance: France has an ESG Relevance Score (RS) of '5[+]' for both Political Stability and Rights and for the Rule of Law, Institutional and Regulatory Quality and Control of Corruption. These scores reflect the high weight that the World Bank Governance Indicators (WBGI) have in our proprietary Sovereign Rating Model. France has a high WBGI ranking at 80.7 reflecting its long track record of stable and peaceful political transitions, well established rights for participation in the political process, strong institutional capacity, effective rule of law and a low level of corruption.

4.2.2 Investment funds

Regarding **investment funds**, DAM monitors the said funds with a view to identifying potential controversial behaviour on the basis of the corporate sustainability scoring of these funds provided by Morningstar -as per the example below regarding ETFMG Travel Tech ETF (AWAY™).

ETFMG Travel Tech ETF AWAY

Quantitative rating as of Dec 31, 2021

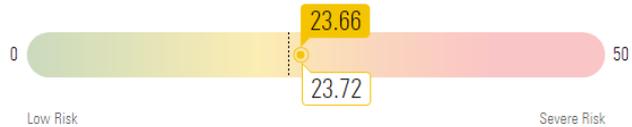
Quote Fund Analysis Performance **Sustainability** Risk Price Portfolio Parent

Sustainability

Sustainability Rating



Corporate Sustainability Score • Historical ○ Current ∴ Global Category Average (Historical)



4.2.3 Structured products

All structured products which DAM invests into systematically have listed shares or bonds as underlying assets.

Therefore, DAM monitors **structured products** with a view to identifying potential controversial behaviour on the basis of the ESG scoring of each underlying asset provided by the data suppliers referred to above, under ‘4.2.1 Shares and bonds’, this on a weighted-average basis.

5. DISCLOSURE TO CLIENTS

In accordance with Article 3 of the SFDR, DAM will make arrangements for this Policy to be published on its Website -i.e. <https://dam-lux.com>, under ‘Legal and Regulatory Information’-, so as to facilitate its access to its clients.