SUSTAINABILITY RISKS POLICY

TABLE OF CONTENTS

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 Regulation[1] (hereinafter referred to as the "IFR"), 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
2.0	13.6.2022	Salvo ANDRONICO	Update (i) because of legal and regulatory developments and (ii) following the completion of the design and implementation of the exclusion/limitation and controversy monitoring/exclusion processes

DATE OF APPROVAL BY THE BOARD OF DIRECTORS - V 2.0 13.6.2022	
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"), specifically its Article 3.

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 mitigation, sustainable use and protection of water and marine resources, waste prevention and recycling, pollution prevention control and protection of biodiversity and of healthy ecosystems.
- **social factors** include, but are not limited to, human rights, gender equality, anti-discrimination and labour rights, the impact on the community and the society.
- **governance factors** include, but are not limited to, sound management structures, employee relations, adequate staff remuneration 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. MAIN APPLICABLE LAWS, RULES AND REGULATIONS

European Union	**Specific provisions, if relevant**
Directive (EU) 2019/2034 of the European Parliament and of the Council of November 27th, 2019 on the prudential supervision of investment firms (also known as the IFD)	
IFR	
SFDR	Articles 2 and 3
Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18th, 2020 on the establishment of a framework to facilitate sustainable investment (hereinafter referred to as the "Taxonomy Regulation")	
Luxembourg	
Law of 1993	

Law implementing the SFDR and the Taxonomy Regulation of February 25th, 2022	
CSSF Circular 20/758 (as amended by CSSF Circular 21/785) of December 7th, 2020 on central administration, internal governance and risk management	

5. MANAGEMENT OF SUSTAINABILITY RISKS

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

Specifically, DAM manages sustainability risks as follows:

5.1 Exclusion/limitation

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

Limitation is the conscious decision to limit the purchase of some transferable securities, such as listed or shares or listed bonds, issued by a company or by a sovereign issuer.

DAM believes that exclusion and limitation are both powerful tools to manage sustainability risks.

At the time of issue of this Policy, DAM has completed the design and implementation of an industry **limitation process** which results in limiting its exposure to four **industries,** which it believes are by nature more exposed to sustainability risks than others, as follows:
- **environmental factors**: limiting the exposure to companies active in the **energy utilities industry** and which generate at least 50% of their revenues from producing or selling electricity deriving (exclusively from coal extraction or from coal-fired power plants or from other fossil fuel extraction or from other fossil fuel-fired power plants (this because of climate change risks);
- **social factors**: limiting the exposure to companies active in the **tobacco industry** (this because of risks to the community and the society);
- **governance factors**: limiting the exposure to companies active in the so-called 'gig economy' (i.e. companies where temporary, flexible jobs are commonplace and which tend to hire independent contractors and freelancers instead of full-time employees), namely companies active in the **express food delivery** and **ride-hailing industries** (this because of risks related to employee relations and staff remuneration).

Specifically, all the investments made by DAM in the four aforementioned industries should not, when aggregated, represent at any point in time more than 25% of DAM's assets under management in respect of its discretionary portfolio management activities, it being understood that such industries' limitations apply exclusively to (i) the listed shares and/or listed bonds of companies active in the relevant four industries and to (ii) structured products of which the underlying assets are the listed shares and/or listed bonds of such companies.

Also, in order to determine which companies issuing listed shares and/or listed bonds should be included in the industry limitation process, DAM applies the following methodology:
- the industry imitation process focuses exclusively on companies with their registered offices or head offices in the following four regions: Asia Pacific, China, North America and Western Europe;

- in addition, this process focuses exclusively on companies with a market capitalisation of at least USD 4 billion (or equivalent in the relevant currency).
DAM maintains an exhaustive list of all companies included in the industry limitation process. This list, which is updated by DAM on a quarterly basis, is annexed to this Policy (see Annex 1) and is made available upon request to DAMS' discretionary portfolio management clients.

5.2 Controversy monitoring/exclusion

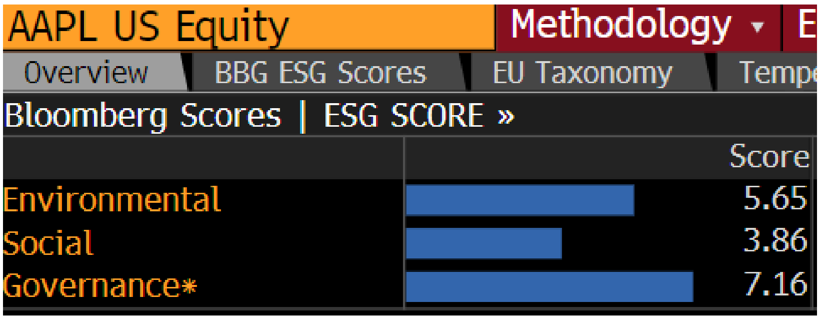
Controversies refer to events or incidents impacting an issuer which might in turn have a negative impact on the environment, on society, on the said issuer's stakeholders, etc.

DAM believes that controversy monitoring, which might result in exclusion, is another powerful tool to manage sustainability risks.

At the time of issue of this Policy, DAM has designed and implemented a process of controversy monitoring across the four asset classes listed above, under '3.2 Scope'.
This process makes use of third-party data suppliers, as more fully described below.
When it comes to listed shares and/or listed corporate bonds, the controversy monitoring process results in DAM excluding some issuers from its investment universe.

5.2.1 Listed shares/listed bonds

- Regarding **listed shares and/or listed 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 Bloomberg -as per the example below regarding the listed shares of Apple Inc.



In order to determine which issuers of listed shares and/or listed corporate bonds should be excluded from its investment universe as a result of the controversy monitoring process, DAM applies the following methodology:
- the controversy monitoring process focuses exclusively on companies (i) with their registered offices or head offices in the following four regions: Asia Pacific, China, North America and Western Europe and (ii) with a market capitalisation of at least USD 4 billion (or equivalent in the relevant currency);
- all companies meeting the two aforementioned criteria are then excluded from the investment universe of DAM if (i) their **environmental** score is below 2.5, (ii) their **social** score is below 2.5 and (ii) their **governance** score is below 4.5 as per Bloomberg's ESG scoring.
DAM maintains an exhaustive list of all such companies. This list, which is updated by DAM on a quarterly basis, is annexed to this Policy (see Annex 2) and is made available upon request to DAMS' discretionary portfolio management clients.
At the time of issue of this Policy, there are 86 companies meeting all the aforementioned criteria which are featured on the exclusion list of DAM.

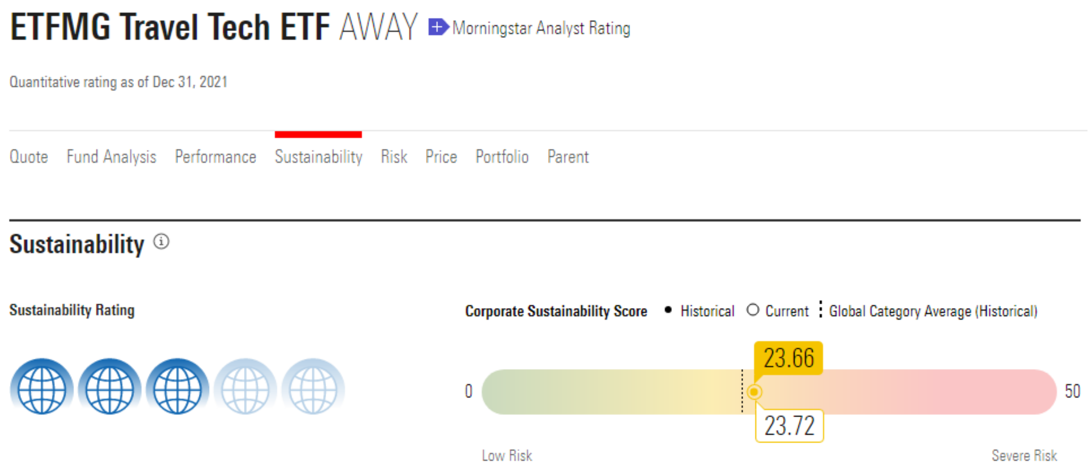
- Regarding **listed sovereign bonds**, DAM monitors their issuers -namely governments (at federal, regional, provincial or local levels) and supranational organisations- with a view to identifying potential controversial behaviour on the basis of the Worldwide Governance Indicators (hereinafter referred 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 listed 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. Theses 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.

5.2.2 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™).



5.2.3 Structured products

All structured products which DAM invests into systematically seek to have exposure to listed shares and/or listed corporate bonds and/or listed sovereign bonds and/or investment funds.

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 ‘5.2.1 Listed shares/listed bonds’ and under ‘5.2.2. Investment funds’, this on a weighted-average basis.

6. DISCLOSURE TO CLIENTS

In accordance with Article 3 of the SFDR, DAM has made 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 DAM's clients and prospective clients.