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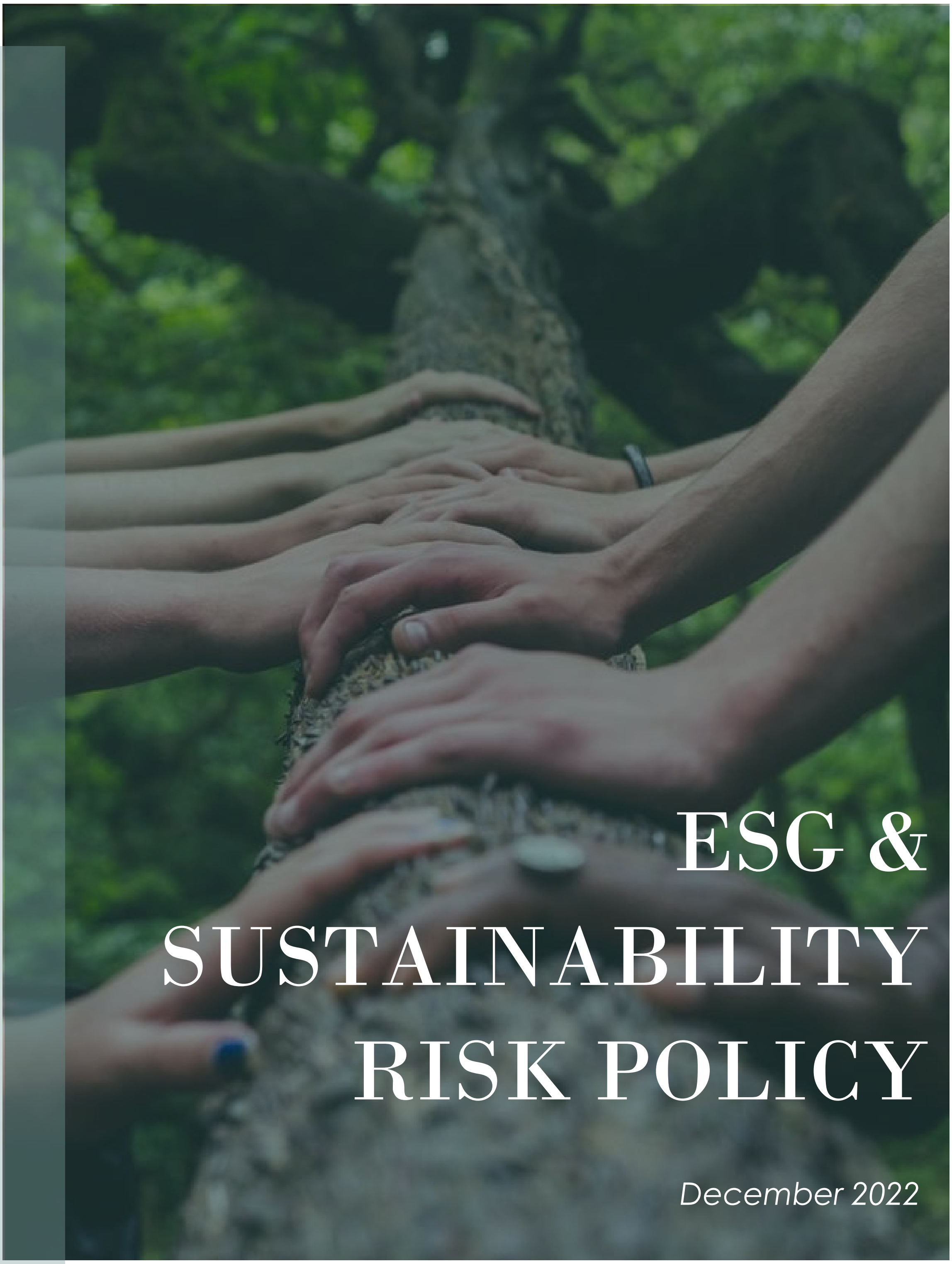

ESG & SUSTAINABILITY RISK POLICY

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1. INTRODUCTION

The Paris Agreement adopted in 2015, aims to strengthen the global response to the threat of climate change as well as strengthen the ability of countries to deal with the impacts of climate change, through appropriate financial flows. In 2018 the EU set out a comprehensive strategy to further connect finance with sustainability.

Sustainable finance encompasses transparency when it comes to risks related to ESG factors that may have an impact on the financial system, and the mitigation of such risks through the appropriate governance of financial and corporate actors.

In 2019, the European Parliament published **Sustainable Finance Disclosure Regulation (EU) 2019/2088**, otherwise known as "**SFDR"**. The aim of this regulation is to achieve more transparency on how financial market participants and advisers consider sustainability risks in their investment decisions and insurance or investment advice.

A **financial market participant ("FMP")** is defined under Article 2(1) of SFDR. Examples of a FMP include, but are not limited to, an investment firm which provides portfolio management, an alternative investment fund manager (AIFM), a management company of an undertaking for collective investment in transferable securities, a credit institution which provides portfolio management.

Sustainability risk is defined under SFDR 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 investments made by an investment fund or a segregated account.

The **impacts** following the occurrence of a sustainability risk could be numerous and may vary depending on the specific risk, region, and asset class. In general, where a sustainability risk occurs in respect of an asset, there may be a negative impact on the value of the asset.

Under SFDR each portfolio manager and investment advisor need to additionally determine whether **impacts on ESG factors** are considered in the investment decision process. Furthermore, each European entity needs to determine whether they should/would consider the impacts on ESG factors at company level (i.e., whether **Principal Adverse Impacts** are taken into consideration at entity level).

Following the entry into force of SFDR, each portfolio manager and investment advisor must determine the integration and consideration of sustainability risks and adverse sustainability impacts in their decision making or investment advice processes as well as the provision of sustainability related information regarding their financial products. Based on the decisions made, a product would then be **classified** as either an article 6, 8 or 9 products under SFDR.

An **article 6 product** is a product with no ESG consideration. An **article 8 product** is a product with E or S characteristics (can have partial investment in a sustainable objective). An **article 9 product** is a product with a sustainable objective.

2. LEMANIK ASSET MANAGEMENT S.A

Lemanik Asset Management S.A. (hereinafter referred to as the "Company" or "Lemanik") is licensed by the *Commission de Surveillance du Secteur Financier* (hereinafter referred to as the "CSSF") as (i) a Management Company, as per the provisions of Chapter 15 of the Law of 17th December 2010, relating to undertakings for collective investment, as amended (hereinafter referred to as the "UCI Law"), and as (ii) an Alternative Investment Fund Manager as per the provisions of the Law of 12th July 2013 on alternative investment fund managers, as amended (hereinafter referred to as the "AIFM Law"). Accordingly, the Company is what is commonly known as a UCITS management company and as an AIFM.

The Company is licensed by the CSSF to provide investment services, namely the management of investment portfolios on a discretionary basis, pursuant to the provisions of Article 101 (3) (a) of the UCI Law and Article 5 (4) of the AIFM Law.

The Company is a proprietary and a third-party investment fund manager and is authorized to perform all the activities detailed in Annex II of the UCI Law and in Annex I of the AIFM Law.

The Company provides portfolio and risk management solutions to UCITS and AIFMD compliant European-domiciled funds that are initiated by financial market participants as described in Article 2(1) of SFDR. Our business model is to enable our customers to leverage on our capital, on-the-ground substance, independent controls, executions, valuations, supervisory and reporting services while they can focus on the asset selection.

Lemanik delegates, for most of its funds, the portfolio management function to qualified third party portfolio managers. For the Funds where the portfolio management function is kept at Lemanik, a third-party investment advisor is appointed.

3. OVERSIGHT

Lemanik performs a thorough due diligence on the portfolio manager/investment advisor to ensure that they have sufficient skills and experience considering the risk profile of the fund and its investment strategies. As part of this process and following the entry into force of SFDR, the portfolio manager/investment advisor fills in an ESG due diligence questionnaire based on the Principles for Responsible Investment ("PRI") reporting framework.

The due diligence questionnaire evaluates:

- that the required skill, expertise, and knowledge are deployed for the assessment and integration of Sustainability Risks
- how and if sustainability risks are integrated into the investment decisions
- if sustainability risk controls are in place on pre-trade, post trade and for reporting purposes.
- if a relevant sustainability risk is assessed as having a material impact on the financial product, ensure that the related information is disclosed into the pre-contractual documents as per the article 6 requirements

For financial products that promote environmental and/or social characteristics or those that have a sustainable investment objective (SFDR Article 8 and Article 9 respectively), Lemanik verifies that there are adequate ESG policies and procedures in place at product level. Furthermore, Lemanik works with the initiators of these products to set up adequate controls, key risk indicators and reporting solutions in line with the prospectus disclosures.

Lemanik further ensures that disclosures made in pre-contractual documents are consistent with the investment objectives of the funds as well as with the investment decision making process which enables Lemanik to assess the adequacy of the integration of sustainability risk in the investment process.

4. SUSTAINABILITY RISK

Lemanik is conscious that the financial products we make available are exposed to sustainability risks as a result sustainability risks are integrated into the risk management process alongside the other type of risks. Lemanik has enhanced its existing risk management framework to answer the regulatory requirements of integrating sustainability risks into our controls.

We have incorporated into our checks an ESG risk profiling assessment, custom-made KRIs as well as risk mitigation techniques and ex post control framework to monitor, mitigate and report on sustainability risks and to identify any conflicts of interest that may arise because of the integration of sustainability risks in the processes, systems, and internal controls for all funds.

The fund risk profile methodology used internally has been enriched to include the SFDR classification of the product, annual portfolio turnover and ESG portfolio scoring

The key risk indicators are focused on four main variables (country climate risk for both physical and transition states, sector climate risk for both physical and transition states, controversies, gender repartition and CO_2 emissions)

A detailed but easy-to-read sustainability risk report that outlines different ESG criteria such as ESG scoring, controversies, screening/exclusions lists, sustainability risks per country and sector of investments is also available, upon request, to the Board of Directors and portfolio managers to assist them in identifying and understanding where each portfolio stands.

The sustainability risk report denotes a static pdf template including portfolio level information prepared on recurrent basis based on specialized ESG/Sustainability data and methodologies. The report is intended as a risk transparency feature for investment funds, supporting internal (e.g., risk monitoring, board information) and external (e.g., periodic risk and performance reports, marketing) disclosure functions. It is structured in multiple sections, each including different KPI, graphs and visualizations over a specific topic (e.g., sub fund information, ESG scores, controversies, screening/exclusion lists, sustainability risk, etc..).

5. CONSIDERATION OF PRINCIPAL ADVERSE IMPACTS ("PAI") AT LEMANIK ASSET MANAGEMENT S.A.

Lemanik Asset Management S.A. as a third-party Management Company is considering principal adverse impacts on sustainability factors while engaging with portfolio managers on investment decisions. Lemanik will publish on its website an annual consolidated report on Principal Adverse Impact for the funds that we have under management.

The report combines ESG indicators that reflects the ESG performance and assesses the ESG characteristics and principal adverse impacts of the financial products that we manage. We will endeavor to monitor and measure the evolution of carbon emission, water, waste management, human rights and social matters and controversies in the investee companies.

We are conscious that depending on the type of asset class, sectors and country of investments, data will not always be available.

Lemanik will consider the mandatory indicators from Table 1 of Annex I of Regulatory Technical Standards ("RTS") as well as the *Investments in companies without water management policies* indicator from table 2 of Annex I of RTS and the *Lack of a human rights policy* indicator from table 3 of Annex I of RTS.

Further details on this consideration and the due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors required as per Article 4 of SFDR can be found on our website.

6. CONSIDERATION OF PRINCIPAL ADVERSE IMPACTS AT PRODUCT LEVEL

For Article 8 or 9 Funds considering PAIs at product level, we will ensure that the appropriate disclosures have been made on the product's website and pre-contractual documents. Where PAIs are not considered, we shall ensure appropriate explanations as to the reason for not considering PAI are included in the relevant pre-contractual documents per Article 7 of SFDR. We will further ensure that when a fund commits to make sustainable investments, that an explanation on how the PAIs indicators have been considered in the context of the Do Not Significant Harm ("DNSH") assessment (for the portion of sustainable investments) is included in the relevant pre-contractual documents.

7. USEFUL LINKS

Detailed information for each financial product we make available can be obtained upon request at our registered office 106 route d'Arlon 82-10 in Mamer, Luxembourg or at ESG@lemanik.lu.

Our engagement policy can be found here: http://lux.lemanikgroup.com/corporate#policies-voting-rights

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