ESG Disclosures

1. SUSTAINABLE FINANCE DISCLOSURE

The Management Company identifies, manages and monitors sustainability risks (as defined below in point 1.1) as part of its investment decision-making and risk management processes. Sustainability risks are considered and monitored through analysis of assets allocations per sector of activity or geography.

The Management Company and the Investment Manager do not formally integrate sustainability risks in their investment decision-making process as the Sub-Funds do not have any specific ESG mandate, objective or approach. However, the Investment Manager uses a dedicated specific ESG information tool (Clarity) to build and monitor portfolios.

The Management Company and the Investment Manager do not currently consider principal adverse impacts, i.e. the impact of investment decisions on sustainability factors, including negative externalities, due to the lack of available data at issuer level.

1.1 Sustainability risk

The Sub-Funds' investments may be subject to sustainability risks. Sustainability risks are environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the Sub-Funds' investments. Specific sustainability risk can vary for each product and asset class, and include but are not limited to

- **Environmental Risk**

The risk posed by the exposure to issuers that may potentially be causing or affected by environmental degradation and/or depletion of natural resources. Environmental risks may result from air pollution, water pollution, waste generation, depletion of freshwater and marine resources, and loss of biodiversity or damages to ecosystems. Environmental risk may negatively affect the value of investments by impairing assets, productivity or revenues or by increasing liabilities, capital expenditures, operating and financing costs.

- **Physical Risk**

The risk posed by the exposure to issuers that may potentially be negatively affected by the physical impacts of climate change. Physical risk includes acute risks arising from extreme weather events such as storms, floods, droughts, fires or heatwaves, and chronic risks arising from gradual changes in the climate, such as changing rainfall patterns, rising sea levels, ocean acidification, and biodiversity loss. Physical risk may negatively affect the value of investments by impairing assets, productivity or revenues or by increasing liabilities, capital expenditures, operating and financing costs.

- **Transition Risk**

The risk posed by the exposure to issuers that may potentially be negatively affected by the transition to a low carbon economy due to their involvement in exploration, production, processing, trading and sale of fossil fuels, or their dependency upon carbon intensive materials, processes, products and services. Transition risk may result to several factors, including rising costs and/or limitation of greenhouse gas emissions, energy-efficiency requirements, reduction in fossil fuel demand or shift to alternative energy sources, due to policy, regulatory, technological and market demand changes. Transition risk may negatively affect the value of investments by impairing assets or by increasing liabilities, capital expenditures, operating and financing costs.

- **Social Risk**

The risk posed by the exposure to issuers that may potentially be negatively affected by social factors such as poor labour standards, human rights violations, damage to public health, data privacy breaches, or increased inequalities. Social risk may negatively affect the value of investments by impairing assets, productivity or revenues or by increasing liabilities, capital expenditures, operating and financing costs.

- **Governance Risk**

The risk posed by the exposure to issuers that may potentially be negatively affected by weak governance structures. For companies, governance risk may result from malfunctioning boards, inadequate remuneration structures, abuses of minority shareholders or bondholders rights, deficient controls, aggressive tax planning and accounting practices, or lack of business ethics. For countries, governance risk may include governmental instability, bribery and corruption, privacy breaches and lack of judicial independence. Governance risk may negatively affect the value of investments due to poor strategic decisions, conflict of interest, reputational damages, increased liabilities or loss of investor confidence.

The structural nature of the sustainability risks listed above makes it likely that, in case some of them occur, impacted assets would be definitely impaired. The impacted issuers would likely fail on their obligations. As a consequence, sustainability risks result in heightened credit and counterparty risk for the Sub-Funds in the short to medium term. However, the credit and counterparty risks are somewhat mitigated by the high diversification of the Sub-Funds' portfolios.

In the long term, should sustainability risks materialize massively, it could result in a generalized systemic risk and a significant rise in non-diversifiable market risk.

The impacts following the occurrence of a sustainability risk may be numerous and vary depending on the specific risk, asset class and region. The assessment of the likely impact of sustainability risks on a Sub-Fund's return will therefore depend on the investment policy and the type of securities held in its portfolio but can be summarised as follows:

Due to their high diversification the Management Company/Investment Manager does not deem sustainability risks very high for the Sub-Funds. Nevertheless, the Management Company and the Investment Manager of the Sub-Funds, have become signatory of the United Nations Principles of Responsible Investment ("UN PRI"), reinforcing the commitment to ESG even though no specific objective has been assigned to any of the Sub-Funds. The Investment Manager has implemented and uses a dedicated tool which provides ESG information used in the decision-making process, even though no specific or formal procedure has been put in place in that respect.