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ESG Investment Policy

TABLE OF CONTENTS

March 2021

1. Objective

The objective of the ESG Investment Policy is to provide a detailed description of the activities carried out towards the appropriate integration of Sustainability criteria into the Investment Management of the Sub-Funds for which Pharus Asset Management SA (hereinafter "Pharus") performs the function of Investment Manager.
In the scope, we are considering funds under Article 8 of Regulation (EU 2019/2088), those are financial products that promote environmental and social characteristics, but they do not have sustainability investment as their objective.

2. Regulatory Framework

The Policy has been drawn up pursuant to the EU 2019/2088, European Union's Sustainable Finance Disclosure Regulation (SFDR), which imposes transparency and sustainability related disclosure requirements to Financial Markets Participants (FMP), in investment decision-making and in advisory processes.

The Sub-Funds under management of Pharus are required to disclose the manner in which sustainability risks, within the meaning of SFDR, are integrated into the investment decision and the results of the assessment of the likely impacts of sustainability risks on the returns of the Sub-Funds.

3. Definitions

For the purpose of the Policy, and aligned with the Regulation, the following definitions apply:

- "**Sustainable Investment**" means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices;
- "**Sustainability Factors**" mean Environmental, Social and Governance (ESG), hereafter also referred to as "ESG" or "ESG Factors";
- "**ESG Investing**" refers to the integration of Sustainability Factors into the investment decision-making process. Typically, market participants will consider the risk and rewards of a broad range of ESG criteria on which companies are measured.

4. ESG Issues

ESG issues are the set of topics that, though, are difficult to measure in monetary terms, have emerged as decisively when evaluating risks and rewards of investments. Although there is no exhaustive list of such issues, the following examples can be considered:

Environmental Issues	Social Issues	Governance Issues
Climate Change	Human Rights	Board Composition
Air and Water Pollution	Data Protection and Privacy	Bribery and Corruption
Biodiversity	Gender and Diversity	Executive Compensation
Deforestation	Labor Standards	Political Contributions
Waste Management	Community Relations	Whistleblowing schemes

Source: CFA Institute

5. ESG Screening

Pharus intends to perform a periodical Screening based on ESG criteria, supported by an external independent ESG provider which furnish on a regular basis analysis, research and monitoring. The goal of such Screening is to determine Investable Asset Universe and Exclusion Lists.

Pharus Asset Management team provides to the independent ESG provider an asset universe, and the independent ESG provider is analysing the securities provided according to the parameter determined from time to time and depending on the requirements and characteristics of the Sub-Funds under management.

The Screening methods are the following:

- Negative or Exclusionary Screening: refers to the assessment of the asset universe on the basis of negative ESG criteria and factors identified as potential risks or ethical issues, this method will determine the Exclusion Lists, allowing the Investment Manager to adequately prevent ESG-related risks and breaches.
- Positive or Inclusionary Screening: refers to the assessment of the asset universe based on positive ESG criteria. This screening method, rather than excluding eligible assets, selects those that reflect high quality responsible business practices. The method will be used to determine the Investable Universe with the highest ESG quality, allowing the Investment Manager to adequately allocate investments into assets with a preidentified superior ESG opportunity.

The Screening methods selected by Pharus are not mutually exclusive and could be used in combinations, depending on the requirements and characteristics of the Sub-Funds under management.

6. ESG Rating

An ESG portfolio rating will be defined and certified by external independent ESG evaluators.

The ESG rating follows an internationally recognized methodology and is calculated considering the rating of each single security held in the portfolio. The whole ESG Rating isn't a simple weighted average but consider the industrial sector to which each issuer belongs. For each different sector, there are different assigned weights of each ESG pillar which depend on risk exposure.

Pharus Asset Management Team is providing the sub-fund portfolio to the external ESG Provider that will calculate it at least on a quarterly basis.

7. ESG Considerations in the Investment Process

Pharus within its function of Investment Manager, engages to take into consideration a wide selection of sustainability topics and will assess the overall quality of the assets it intends to invest in by understanding their ESG factors. Pharus, supported by the ESG provider aims to perform an ESG-based due diligence, for which it has adopted and integrated ESG considerations into its Investment approach, according to the Fund-specific levels of desired sustainability.

In view of the need of flexibility, the approach is adaptable and able to accommodate to a diverse analysis and to the ESG issues that the Sub-funds strive to confront.

In this sense, the Pharus Investment Process has incorporated the following guidelines:

- Investment Research and Analysis: consideration of ESG risks and opportunities as an integral part of our fundamental analysis, consistent with the scoring and monitoring tools.
  If the analysis leads the ManCo to believe that the past, current or anticipated ESG factors of a particular issuer or asset are material to its expected returns, we will address the concern and decide on it, however, the analysis may or may not lead to decisions to include, avoid or modify exposures;
- Portfolio Construction and Monitoring: determining the most favorable asset allocation, considering the ESG Factors and sustainability objectives of each Sub-Fund. In addition, the ManCo will perform periodical monitoring of ESG scores at sub-fund level and adjust according to objectives.

ESG considerations will vary by objectives, sectors and market trends; as such, the Investment Process may be adjusted alongside the course.

8. Oversight and Ongoing Monitoring

The ESG consideration and integration is a firm-wide approach, as such, all of Pharus functions seek to ensure the consistency and quality in sustainability factors. Nonetheless, it will be the responsibility of the Compliance, Risk Management and Asset Management Functions, to oversee and monitor actively the exposure to ESG risks or opportunities.

Pharus Investment Committee and Risk Management & NAV control team will oversee the investment process consistency with ESG considerations, across the Sub-funds under management.

9. Divestment due to ESG risk

In the event that an excessive ESG risk has been identified, Pharus will proceed to reduce the risk in a timely manner, limiting the impact on the Sub-Fund. In this sense, a divestment will be done considering the best interest of the shareholders.

10. Divestment due to ESG risk

In the event that an excessive ESG risk has been identified, the Investment Manager will proceed to reduce the risk in a timely manner, limiting the impact on the Sub-Fund. In this sense, a divestment will be done considering the best interest of the shareholders, gradually, and foreseen within three months of having identify such ESG breach.