



ESG INVESTMENT POLICY

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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 Management Lux SA (hereafter the “ManCo”) performs the function of Investment Manager.

In the scope, we are considering funds under Article 8 and 9 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 European Union’s Sustainable Finance Disclosure Regulation (SFDR), which imposes transparency and sustainability related disclosure requirements to Financial Markets Participants (FMP), wherein Management Companies are included.

The Sub-Funds under management of the ManCo 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 Tools used by the ManCo

The ManCo has adopted, as a main source, the data tool from S&P Global ESG Scores, which includes fund level weighted average ESG Scores, and a wide array of sustainability criteria.

As a secondary source, the ManCo will make use of Bloomberg's ecosystem of sustainable finance solutions, which comprise ESG data, broad range of scores, analytics and in-depth research.

5.1 S&P Global ESG Scores

S&P combines comprehensive data sources, a proprietary methodology and a focus on material issues. The main differentiators of the tool can be encapsulated in the following:

- Assessment of industry-specific risks and opportunities, guided by 61 industry-specific approaches and monitoring;
- Integrated access to over 200 financial datasets and extensive global Cross Reference Services;
- Rigorous, multi-stage and third-party audited quality review process;
- ESG Scores are produced by the thorough analysis of approximately a thousand datapoints, carefully selected as relevant for a sustainability assessment (see Figure 1).

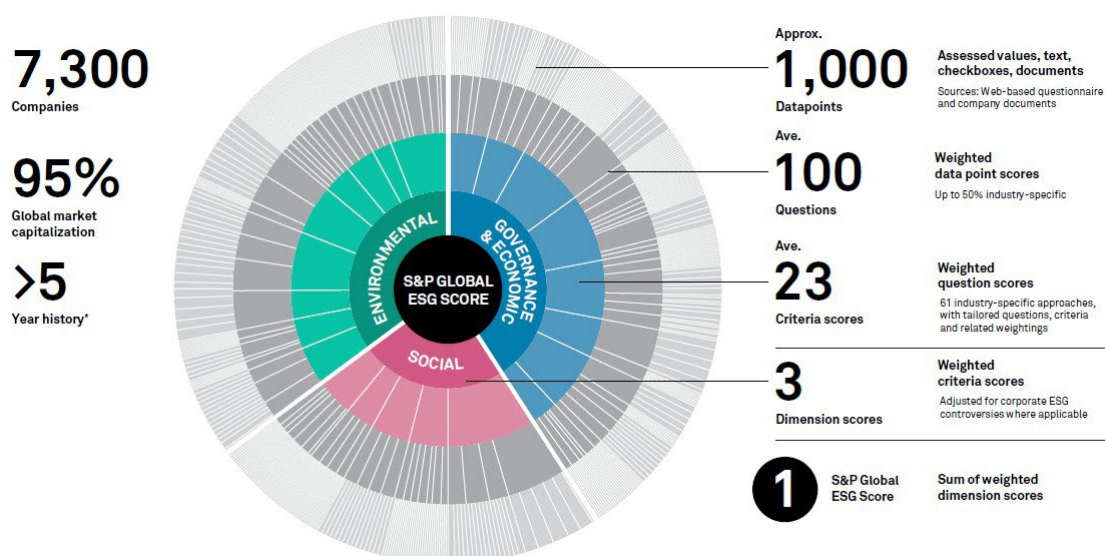


Figure 1: Inside S&P Global ESG Score

5.2 Bloomberg ESG Solutions

Bloomberg has developed high quality ESG data, covering more than 11,000 companies and about 410,000 active securities, in over a hundred countries. Bloomberg provides a variety of ESG Scores that include:

- Governance Scores for Board Composition;
- Industry-specific Environmental & Social scores;
- Climate transition scores;
- ESG disclosure score, rating companies' level of ESG disclosure; among others.

6. ESG Scores

The ManCo, supported by the selected tools and sources adopted for the sustainability analysis, will obtain scores for the Sub-Funds under management, as a result of the individual scores attained by their holdings. Each score is based on 3 main pillars also called ESG dimensions:

1. Environmental
2. Social
3. Governance & Economic

Each pillar will be weighted according to which factors are likely to have the most significant impact on a company's business value drivers of growth, cost, or risk, and ultimately, future financial performance. These weights are based on industry assessments and each factor is ranked on the magnitude and likelihood of its impact on the company's business drivers and financial performance over time — and weighted accordingly in the assessment process (S&P global is the provider of these weights).

The weighted score of each pillar will generate the final ESG score for the instrument.

Covered instruments are Corporate Bond, Equities, and instrument related to corporate issuers with coverage of 7,300 companies representing approximately 95% of global market capitalization.

In case of unrated issuer or missing/unavailable information at issuer level, the instrument will be classified into the "Not Available" category and excluded from the calculation of the average ESG rating at portfolio level.

Not Available score will be also used for derivative instruments without a corporate issuer, including sovereign bonds (T-BILLS, BUND, BTP etc., these instruments will be excluded from our calculation).

Each instrument specific score will contribute to the score of the portfolio based on its weight according to the below example.

INSTRUMENT	ESG SCORE	WEIGHT	ESG weighted score
ISIN 1	100	50%	50
ISIN 2	90	30%	27
ISIN 3	Not Available	20%	
		100%	77.00

Total ESG score weight

80%

ESG final score

96.25 =77/0.8

The final score will be 96.25 considering 20% of portfolio not available.

ESG Score ranges from 0 to 100, with 100 being the highest value in terms of sustainability criteria of the selected security.

7. ESG Screening

The ManCo intends to perform a periodical Screening based on ESG criteria, supported by the adopted tools for scoring, research and monitoring. The goal of such Screening is to determine Investable Universe and Exclusion Lists.

The Screening methods selected by the ManCo are the following:

- Positive 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. For instance, a screening of USD and EUR equities with an ESG Score ranked in the top 10 percentile of the equities universe available in Bloomberg, resulting in an Investable Universe of 387 equities.
- 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. (See Annex 1: Predetermined ESG exclusionary criteria used by S&P Global);
- Goal Based: refers to the assessment of the asset universe incorporating particular exposure targets to ESG criteria. For instance, screening asset universe with the target of achieving a carbon-neutral portfolio.

These methods are not mutually exclusive and will be often used in combinations, depending on the requirements and characteristics of the Sub-Funds under management.

8. ESG Considerations in the Investment Process

The ManCo, within its function of Investment Manager, engages to take into consideration a wide selection of sustainability topics, ranging from labor to pollution, and will assess the overall quality of the assets it intends to invest in by understanding their ESG factors. The ManCo 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 ManCo's 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.

9. Oversight and Ongoing Monitoring

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

Pharus ManCo's Investment Committee will oversee the investment process consistency with ESG considerations, across the Sub-funds under management. Members of the Investment Committee include the Chief Executive Officer, Chief Risk and Compliance Officer, and the Portfolio Management team.

In addition to the Committee's Oversight, the ManCo, within its duty of Oversight of the Delegated Investment Management, will require the delegated Investment Managers a quarterly disclosure of their ESG Scores, factors and reliability of their investment process. The results of the evaluation of such disclosures, will be reported to the ManCo's Board of Directors on a quarterly basis.

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.

Annex 1: Predetermined ESG exclusionary criteria used by S&P Global for pre- and post-check trades, chosen by Pharus

The following list of exclusion criteria detail the general view of the ManCo on the sectors that normally should be excluded from the asset universe, with a tolerance threshold of 5%. Nonetheless, according to the specificities of each sub-fund under management it is possible to deviate from such list and such thresholds, in accordance with Prospectus rules.

Trucost Sector Name	Trucost Sector Code (for mapping)	Topic Name	Sub-Topic
Pesticide and other agricultural chemical manufacturing	325320	Human Health & Environment	Pesticides
Arms, ordnance, and accessories manufacturing	332998	Society	Weapons
Military armored vehicle, tank, and tank component manufacturing	336992	Society	Weapons
Propulsion units and parts for space vehicles and guided missiles	33641A	Society	Weapons
Ammunition manufacturing	33299A	Society	Weapons
Tobacco farming	111910	Society	Tobacco
Tobacco product manufacturing	3122A0	Human Health & Sharia	Tobacco
Bituminous Coal Underground Mining	212112	Human Health & Environment	Coal
Bituminous Coal and Lignite Surface Mining	212111	Human Health & Environment	Coal
Coal Power Generation	221122A	Human Health & Environment	Coal
Nuclear Electric Power Generation	221113	Society, Human Health & Environment	Nuclear
Uranium-Radium-Vanadium Ore Mining	212291	Society, Human Health & Environment	Nuclear
Tar Sands Extraction	211111A	Human Health & Environment	Tar Sands
Mining (except oil and gas)	Multiple	Human Health & Environment	
Carbon intensive activities	Multiple	Carbon intensive	