Global Funds Management S.A. - Sustainability Risk Policy

Global Funds Management S.A. ("GFM") delegated portfolio managers are responsible for the first controls with regard to the compliance of their dedicated ESG criteria or at least the criteria that they do not intend to invest in a substantial manner into non-ESG compliant assets. Under SFDR, "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.

GFM's policy therefore approaches sustainability risks from the perspective of the risk that ESG events might cause a material negative impact on the value of our clients' investments. To illustrate an example: a fund which has a significant exposure to insurance or re-insurance companies may face significant risks as those insurance or re-insurance companies could suffer from growing climate-related losses and disruption (i.e. an environmental risk to the value of an investment in an insurer or re-insurer).

GFM recognises that the world faces growing environmental, social, and governance-related risks. A key part of our role as a fiduciary is to act in the best interests of our clients, and this includes appropriately taking account of how those ESG risks could impact on our clients' investments. This policy therefore establishes our framework to identify, measure, manage and monitor sustainability risks.

As part of our risk management processes when investing, GFM has implemented procedures to (i) identify, (ii) measure, (iii) manage and (iv) monitor sustainability risks.

(i) Identify

GFM has separately reviewed the sustainability risks which are potentially likely to cause a material negative impact on the value of our clients' investments, should those risks occur. The aggregation of different factor leads to the potential following rating:

Positive: The fund respectively the delegated portfolio manager clearly promotes to invest into sustainable investments. Usually those funds will be classified as so-called Art. 9 funds, or at least Art. 8 funds where for both types certain disclosure obligations have to be fulfilled.

Neutral: The fund respectively the delegated portfolio manager does not directly promote ESG investments. This might be due to a pure quantitative or rule based strategy which might incorporate some ESG factors but does not have those as an investment target. Nevertheless, the delegated portfolio manager is also promoting sustainable investments. Those funds will be classified as Art. 6 funds.

Negative: The fund respectively the delegated portfolio manager does not take any ESG factors into account. The harm produced by this investment style results from non-consideration rather than from bad intention. Anyway, by not considering or not adhering to any standards concerning ESG the investment process can be deemed harmful and therefore this fund will be rated negative. Those funds will be classified as Art. 6 funds.

The main task is to identify, based on the investment strategy of the fund, if the defined investment horizon allows investing pre-dominantly into non-ESG compliant assets.

(ii) Measure

On an annual basis the actual fund portfolio will be challenged by an external ESG score in order to determine if the defined sustainability rating is still valid. In formulating such risk rating score, GFM relies on own internal analysis and assessment and third party data sources..

(iii) Management

Currently all funds are managed by delegated portfolio managers. Prior to the on boarding of a new delegated portfolio manager or the set-up of a new fund the analysis will be made, if the product at least receives the score "neutral" concerning sustainability risk. As GFM is committed to promote ESG compliant investment behaviour any derogation from this minimum score has to be approved by the Board of Directors of GFM.

(iv) Monitoring

GFM Risk Management team conducts periodic monitoring of the existing fund portfolios to check that positions remain within sustainability risk limits, and takes corrective action if those limits are breached. As part of ongoing monitoring, the delegated portfolio managers are encouraged to engage in active ownership with a view to reducing sustainability risks and move more towards sustainable investments.

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