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Sustainability Guidelines

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Our Commitment

At ansa capital management GmbH, we focus on developing and implementing quantitative global Absolute Return, Equities and Multi Asset strategies. Global Macro and systematic investing is our passion.

We are convinced that the future of investing will be shaped by two major ongoing developments:

1. The rapidly expanding integration of innovative data science technologies.

2. A deepening understanding by investors that the fundamental integration of environmental, social and governance (ESG) considerations leads to better-informed investment decisions, positive contributions beyond pure investment results and a more holistic approach to finance.

Building on the scientific knowledge of the last 50 years and curiosity about new methods in modern portfolio management, we implement investment decisions in a disciplined manner to enable our clients to achieve long-term investment success. To us, expanding the traditional focus on risk and return by adding sustainability and incorporating ESG aspects into the investment process is key to fulfilling those fiduciary duties.

In line with our data- and science-based approach, we determine the sustainability of an investment through a transparent and objective process based on a wide range of data that is incorporated in our investment platform. In our investment decisions, we consider aspects of sustainability in order to generate long-term added value. In addition, we are committed to sustainable management and good corporate governance at the companies in which we invest. In this way, we contribute to increasing the value of the company in the long-term.

Our approach to sustainability in the investment process is set out in these Sustainability Guidelines (Guidelines).

As a company, a major responsible investment commitment that we have made is that our Guidelines are applied to all funds where we have full discretion. Consequently, all our mutual funds should be classified as Article 8 funds under the European Union's Sustainable Finance Disclosure Rules (SFDR). Today, all our UCITS funds are classified accordingly.

Where we manage mandates with client-specific restrictions, we seek to incorporate the principles of our Guidelines into that management and are happy to discuss with our clients how a sustainable investment approach can be implemented given their specific investment restrictions and goals.

Since our signing in 2020, we are committed to the Principles for Responsible Investment (PRI). Our aim is to promote the acceptance and implementation of sustainable investing within the investment industry.

In the following, relevant matters in relation to how we manage investments and operations sustainably are described. An overview of relevant codes and initiatives, our sustainability governance, our approach and methodology to ESG investing as well as transparency and reporting are provided.

Codes and Initiatives

To strengthen a consistent sustainability positioning, we consider the following codes and partnerships to be relevant in addition to given legal and regulatory requirements:

United Nations Principles for Responsible Investment (UN PRI)[1]

By signing the UN PRI in 2020, we deepened our commitment to embedding sustainability considerations into our investment analysis and decision-making. This pledge encompasses our dedication to environmental stewardship, societal well-being, and robust corporate governance.

As signatories, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society.

Therefore, where consistent with our fiduciary responsibilities, we commit to the following six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

BVI Rules of Conduct[2]

The BVI Rules of Conduct, jointly developed by the German Investment Funds Association (BVI) and its members, set standards for good and responsible conduct, and acting in the interest of investors.

While we are not a BVI member, we committed ourselves to follow the BVI Rules of Conduct.

[1] The Principles for Responsible Investment represent an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact. The PRI is truly independent. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government; it is supported by, but not part of, the United Nations, https://www.unpri.org/about-us/about-the-pri.

[2] https://www.bvi.de/fileadmin/user_upload/Regulierung/2019_07_BVI_Rules_of_conduct.pdf

Task Force on Climate-related Financial Disclosures (TCFD)[3]

ansa supports the recommendations of the TCFD. This is to publicly demonstrate that we are taking action to build a resilient financial system through climate-related disclosure.

Advance[4]

As a supporter of Advance, we recognize the potential and effectiveness of a community stewardship initiative to improve human rights business practices and reduce risks to investment.

Other Codes and Initiatives

Besides, we are also committed to upholding the following codes and standards:

- UN Global Compact (UNGC)
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights

[3] The TCVF was created by the Financial Stability Board (FSB) to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change, https://www.fsb-tcfd.org.

[4] Advance is a stewardship initiative, launched by PRI, where institutional investors work together to act on human rights and social issues. The overall objective of the initiative is to advance human rights and positive outcomes for people through investor stewardship. The initiative will primarily seek change through investors' use of influence with portfolio companies, https://www.unpri.org/investment-tools/stewardship/advance.

Sustainability Governance

Responsible conduct is an important pillar of our organization, extending from basic principles down to the specifics of our investment process.

Formal oversight

The CEO/ CIO has formal oversight and accountability for responsible investment at ansa capital management GmbH.

Responsibility for defining ansa's sustainability goals and strategy lies with our SI Committee, consisting of two members of the management board and our deputy compliance officer who directly reports to the CEO.

The members of our portfolio management team are responsible for implementing our Guidelines in the investment process where client-specific investment and sustainability restrictions, including the exclusion of companies from the investable universe, are considered in the context of individual mandates. The portfolio management team implements and monitors the sustainability criteria in the investment process.

Regular training, designed to empower our organization with the critical knowledge and expertise needed for effective sustainable investing, is offered.

Risk Control

Our organizational setup fosters prudent decision-making to ensure the seamless integration of sustainability risks into our overall risk-taking approach:

- The portfolio management team bears the primary responsibility for overseeing the risks associated with their investment activities, consistently monitoring and adjusting as needed throughout the lifespan of the portfolio. Sustainability considerations are integrated into our investment due diligence processes to ensure (i) a meticulous approach to both, the selection and ongoing monitoring of investments, and (ii) an alignment of our portfolio management practices with our commitment to sustainability.

- The Risk Management function makes sure that robust risk controls are in place, including sustainability-related risks.

- The Compliance function oversees the alignment of our activities with regulatory requirements, including sustainability-related regulations, and with our own internal policies.

- The Internal Audit function serves as an independent, objective assurance entity within the organization. Through comprehensive audits and reviews, it evaluates the effectiveness of internal controls, ensuring they are robust and consistently applied, including those related to sustainability risks.

Transparency and Reporting

We believe that responsibility entails clear communication about our actions and the rationale behind our choices. Our commitment to responsible investment is integral to our broader corporate messaging.

As a signatory to the PRI, we are committed to adopting a sustainable approach and we annually release a Transparency Report detailing our ESG activties.

We are subject to disclosure obligations set forth by the Sustainable Finance Disclosure Regulation. For detailed information on our compliance statements in accordance with the SFDR, please download our policy here.

Approach and Methodology

Our approach to integrating sustainable investing is grounded in established national and international standards. As an active fund manager, we believe in the long-term positive relationship between sustainability considerations and the potential to generate value for our clients.

To integrate sustainability into our investment decision-making process and resulting portfolios, various screening approaches are employed, allowing us to build meaningful portfolios according to sustainability criteria, taking ESG risk management and E-, S- and G factors explicitly into account.

As part of the investment process, the relevant financial risks are included in the investment decision and assessed on an ongoing basis. Sustainability risk is defined as an environmental, social or governance event or condition, the occurrence of which could have a material adverse effect on the value of the investment. Sustainability risks can therefore lead to a significant deterioration in the financial profile, liquidity, profitability, or reputation of the underlying investment. The assessment of risk includes aspects of sustainability risks and relates them to other factors (especially price and expected return) in the investment decision.

We factor in sustainability risks across all our mandates. All our mutual funds are classified as Article 8 funds under the European Union's Sustainable Finance Disclosure Rules.

The precise approach that we adopt is tailored to each individual mandate's unique requirements and agreements we enter with individual clients. When a new mandate is established, we enter a dialogue with our client to explore to what degree our Guidelines can be incorporated into portfolio management. Regarding assets managed in segregated accounts, we are pleased to report that - apart from one fund - for all other funds an explicit ESG strategy is in place (as of August 2023).

Please note that for some of the assets managed by ansa, sustainability risks are not systematically included, as the risk of a significant loss in value of the investment due to the occurrence of a condition as defined in the Sustainable Finance Disclosure Regulation (SFDR, Art. 2 No. 22) is not considered financially significant. For example, ansa's own strategies are fully or partially implemented via liquid derivatives on equity indices, interest rates, commodities and currencies. For these products, only limited information on inherent sustainability risks is currently available.

ESG Data

We use various sustainability indicators to assess the suitability of investments in terms of their ESG contribution. The sustainability indicators are obtained from the external data provider MSCI Inc (MSCI).

With regard to Equities and Fixed Income, we have licensed and integrated MSCI ESG Ratings to identify environmental, social and governance risk and opportunities in our portfolios, as well as MSCI ESG Controversies to analyze a company's involvement in significant ESG controversies.

Besides, we use MSCI's Business Involvement Screening Research (BISR) and Climate Change Metrics (CCM). The BISR is a screening service that enables us to manage ESG standards and restrictions reliably and more efficiently. Having access to Climate Data enables us to incorporate climate change considerations into our investment process with a view on climate change risks and opportunities across various dimensions, for example, emissions data with a focus on scope 1 and 2, management assessment and a company's exposure to clean technology.

Furthermore, we have licensed MSCI's Sustainable Impact Metrics which aim to measure revenue exposure to sustainable impact solutions.

To determine whether a country is considered as being free, in which both political freedom and civil rights are anchored in the national economy, we use the Freedom House Index.[5]

Screening

Screening refers to the process of selecting or excluding controversial companies, sectors or countries from the investment universe. Screening is widely applied to create a sustainable investment portfolio. The main types of screening in sustainable investing are:

- Negative or Exclusionary Screening: This is the most traditional and straightforward approach. It involves excluding investments from portfolios based on a specific set of criteria, particularly tied to ecological and social criteria. Common screenings are subject to minimum requirements with regard to central controversies related to, for example, the manufacturing of controversial weapons, violations of human and labor rights (based on the UN Guiding Principles for Business and Human Rights ("UNGPs")), severe violations of democracy and human rights (based on classification as "not free" according to the Freedom House Index), or greenhouse gas (GHG) emissions.

  ansa has defined a criteria-based screening system which leads to a list of companies and sovereigns to be excluded from the investment universe. Regarding the non-derivative exposure in different asset classes, we apply a negative screening for all our mutual funds. The same holds for individual mandates managed by ansa if requested by our clients.

- Positive Screening (ESG Rating): This strategy involves selecting companies that meet specific positive sustainability performance criteria. For instance, a fund might choose to invest only in companies that meet high environmental standards or have progressive social responsibility practices.

  Where applicable, we assess potential investments that comply with any exclusionary screenings with respect to their ESG score. In this context, we use MSCI ESG ratings.

- Norms-Based Screening: This involves screening investments based on their compliance with international norms and standards, such as the United Nations Global Compact. Companies that violate these standards might be excluded.

Focus on Climate Change

As an active asset manager, tackling the climate crisis is of paramount importance for several reasons, both from a fiduciary perspective and from a broader societal and environmental standpoint:

- Fiduciary Duty: Asset managers have a responsibility to act in the best interests of their clients. This duty increasingly

[5] Since 1973, Freedom House has assessed the condition of political rights and civil liberties around the world. For more information, see https://freedomhouse.org/report/freedom-world.

includes considering long-term environmental risks and opportunities, given the potential implications for investment returns.

- Financial Risk Management: The physical risks associated with climate change, such as extreme weather events or rising sea levels, can affect the valuation and performance of investments. Additionally, transition risks, which arise from the societal shift towards a lower-carbon economy, can impact sectors like fossil fuels adversely. Being proactive about these risks ensures the protection of clients' assets.

- Regulatory and Policy Shifts: Governments around the world are introducing more stringent environmental regulations and carbon pricing mechanisms. Asset managers need to anticipate and prepare for the financial implications of such policy changes.

- Opportunities for Investment: The shift towards a greener economy opens up new investment opportunities in renewable energy, sustainable agriculture, green transportation, and other sectors. Asset managers can capitalize on these emerging sectors.

- Moral and Ethical Imperative: Beyond financial considerations, we argue that all institutions, including asset managers, have a moral duty to act responsibly and contribute to global efforts to combat climate change.

In essence, for us, addressing the climate crisis is not only about risk mitigation but also about seizing new opportunities and fulfilling our duty to clients and society at large. The integration of climate considerations ensures that portfolios are more resilient, forward-looking, and responsive to the evolving landscape of global challenges and opportunities.

Regarding the Net Zero Investment Framework, as published by the Institutional Investors Group on Climate Change (IIGCC), we monitor and apply negative screenings based on a company’s carbon emissions intensity. In line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), we screen for carbon intensity by looking at Scope 1 and 2 carbon emissions scaled by revenues. As Scope 3 data continues to be unreliable, due to a lack of or inconsistent data coverage, we currently do not explicitly consider Scope 3 emissions data.

Taking GHG emissions into account for other asset classes, for example, government bonds, currencies, derivatives, and commodities, presents challenges that make it more complex compared to equities or corporate bonds. This can be attributed to a lack of direct attribution, indirect influence, data limitations, complexity of the instruments or emission responsibility. Despite these challenges, the financial industry is continually evolving its methodologies and there is an ongoing effort to integrate climate considerations into all asset classes, given the global imperative to address climate change. We are confident that over time, with advancements in data analytics and more widespread adoption of sustainability metrics, we will be able to overcome these challenges partially or wholly.

To incorporate climate-related data and risks into our investment process, we have licensed Climate Change Metrics as well as Environmental Impact Metrics, each from MSCI.

Company Dialogue

Generally, we are convinced that there is significant value in building a long-term relationship with companies where it is possible to cooperate with the common goal of becoming more sustainable.

We only started to invest in single stocks in August 2023. Going forward, any engagement activities will have to be guided by our understanding as a responsible and active asset manager that engagement positively impacts companies on risks and opportunities related to sustainability, which includes the promotion of good corporate governance.

Recognizing the potential and the effectiveness of a community stewardship initiative, we started to support the PRI Advance stewardship initiative in 2023. This initiative seeks change through investors' use of influence with portfolio companies and represents an effective first step for us to engage via this community to improve human rights business practices and to reduce investment risks.

Managing Conflicts of Interest

Acting in the interest of our clients is among the cornerstones and fundamental beliefs of our entrepreneurial activities. Hence, in accordance with the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz), we have taken extensive precautions to avoid conflicts, and for dealing with potential conflicts that might nevertheless exist.

Our approach to managing conflicts of interest also applies activities related to company dialogue. For details, please refer to ansa's "Conflict of Interests Policy".

Managing ansa's own operations

A significant portion of our operational carbon footprint results from business travel as ansa employees travel to meet current and prospective clients and to engage and participate in research activities. We promote the use of digital meeting solutions, public transport and, where feasible, a preference for ground versus air travel.

We intend to reduce the number of travel movements by our flexible workplace concept, according to which employees are provided with a smartphone and a laptop, and by using the latest technology for cloud computing and video conferencing, so our employees can work remotely from home or elsewhere. In general, employees have the flexibility to work remotely one day per week.

Legal Notes/ Disclaimer

This document has been carefully prepared by ansa capital management GmbH. It solely serves to inform the reader about our internal sustainability guidelines. ansa assumes no liability for the topicality, correctness, and completeness of the document. The contents do not constitute an offer to sell or solicitation of an offer to buy any investment product or program offered by ansa. This document is not intended to be used as the basis for an investment decision.

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