FundPartner Solutions

Policy

Responsible investing and engagement policy

March 2023

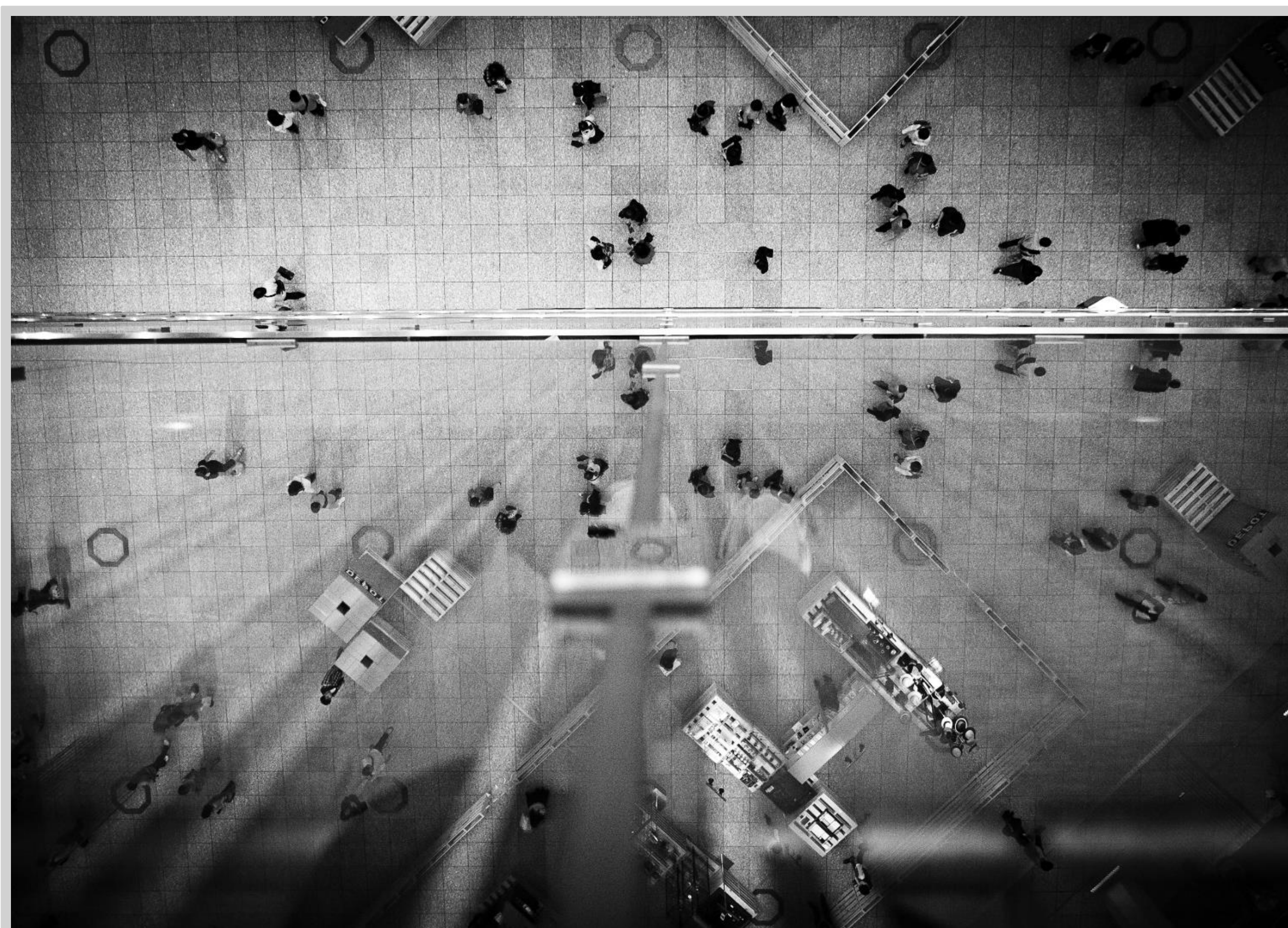

Table of Contents

A. Introduction 2

B. Background 2

C. Shareholder Rights Directive II (SRD II) 2

1. Introduction 2

2. Engagement policy 3

3. Voting rights 3

D. Sustainability-related disclosures in the financial services sector (SFDR) 4

1. Introduction 4

2. Sustainability risks 4

3. Financial product classification 5

4. Monitoring and control framework 6

4.1 ESG questionnaire 6

4.2 Control framework 6

4.3 Exclusion policy 6

5. Roles and responsibilities 8

6. Transparency and disclosures 8

7. Principal adverse impacts 9

8. Conflict of interest 9

9. Remuneration policy 9

A. Introduction

FundPartner Solutions (Europe) SA's Responsible Investment Policy has been written to comply with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-related disclosures in the financial services sector (SFDR) and of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings of listed companies (implementing the Directive (EC) 2007/36 of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 as regards the encouragement of long-term shareholder engagement (text with EEA relevance)) and their implementing measures (together, Shareholder Rights Directive II – SRD II).

B. Background

FundPartner Solutions (Europe) SA (hereafter "FPSESA"), a company belonging to the Pictet Group, is licensed by the *Commission de Surveillance du Secteur Financier* as a management company under the regime set out in Chapter 15 of the law of 17 December 2010 on undertakings for collective investment (the "**UCI Law**") and as an alternative investment fund manager as per the provisions of the law of 12 July 2013 on alternative investment fund managers (the "**AIFM Law**").

FPSESA typically delegates the investment management for UCIs to carefully selected third-party asset managers (the "**Delegated Asset Managers**"), who are disclosed in the prospectus of each UCI. The investment decision-making, the engagement with European companies whose shares are traded on a regulated European stock exchange and the policy on voting are therefore implemented by said Delegated Asset Managers.

C. Shareholder Rights Directive II (SRD II)

1. Introduction

In 2017, Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies (the "**Shareholders' Rights Directive**") was amended by Directive (EU) 2017/828 to encourage medium to long-term shareholder engagement and to enhance communication between companies and investors.

The amendments to the Shareholders' Rights Directive were implemented in Luxembourg through the law of 1 August 2019 which amends the law of 24 May 2011 on certain rights of shareholders in the general meeting of listed companies (the "**Shareholders' Rights Law**").

Pursuant to the Shareholders' Rights Law, asset managers shall set out and publicly disclose an engagement policy describing how they integrate shareholder engagement in their investment strategy.

The Engagement Policy statement applies when asset managers invest in companies which have their registered office in a Member State **and** the shares of which are admitted to trading on a regulated market situated or operating within a Member State.

Engagement means the monitoring of and interaction with companies, as well as exercising voting rights attached to shares. Engagement can be on matters such as business strategy and its execution; risk management; environmental and social concerns; corporate governance issues, including board

composition and the election of independent directors, or executive remuneration; compliance, culture and ethics; and performance and capital structure.

2. Engagement policy

FPSESA applies a high standard of diligence in the selection and ongoing monitoring of Delegated Asset Managers. As a part of their duty to act in the client's best interests, the Delegated Asset Managers are required to:

- align investment strategies with the investment policies as defined in the prospectus and/or constitutional documents;
- manage assets in accordance with strict statutory and regulatory requirements (UCITS and AIFM Directives);
- invest capital in companies on behalf of the UCIs they manage;
- exercise their voting rights in order to maintain and enhance long-term value, with the aim of preserving or adding value to the clients' assets; and
- communicate any issues they may have with a company they are invested in.

In accordance with the provisions of the Shareholders' Rights Law, FPSESA ensures that Delegated Asset Managers have publicly disclosed a clear engagement policy describing:

- how engagement is integrated in the investment strategy. Voting rights must be exercised in accordance with the investment objectives and policy of the relevant UCI;
- how companies are monitored. Corporate actions must be appropriately monitored;
- how dialogues are conducted with companies and particularly how conflicts of interest are managed;
- how voting and other rights are exercised. Voting rights must be exercised to the exclusive benefit of the UCI concerned and its investors; and
- how conflicts of interest are managed, in particular when the services of proxy advisors are used.

The Delegated Asset Managers may choose not to comply with the requirement to disclose an engagement policy. In this case they must provide and publicly disclose a clear and reasoned explanation why they have chosen not to do so.

3. Voting rights

FPSESA has delegated the exercise of the voting rights to the Delegated Asset Managers. FPSESA believes that the Delegated Asset Managers are best placed to use the portfolios' voting rights in the way that is most beneficial to the UCIs as they have access to all the relevant information.

FPSESA will ensure the Delegated Asset Managers have a policy defining how and when voting rights will be exercised.

Further information on how voting rights are exercised is available in our “Voting rights policy” published on https://www.group.pictet/asset-services/fundpartner-solutions

D. Sustainability-related disclosures in the financial services sector (SFDR)

1. Introduction

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (“SFDR Regulation”) lays down harmonised rules for financial market participants and financial advisers on transparency regarding the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products.

2. Sustainability risks

FPSESA believes that sustainable risks are an important factor in terms of enhancing long-term risk-adjusted returns for investors. FPSESA has implemented a control framework the purpose of which is to identify, analyse and integrate sustainability risks as part of its risk management process. The sustainability risks are reflected into the risk profile of the financial products under its supervision, i.e., undertakings for collective investments (UCIs).

A sustainability risk is a risk arising from any environmental, social or governance events or conditions that, were they to occur, could have a material negative impact on the value of the investment. Specific sustainability risks will vary for each investment, and include but are not limited to:

- Environmental risk (E)

The risk arising from exposure to issuers whose activity may have the potential to cause or may be affected by environmental degradation and/or the depletion of natural resources. Environmental risk may result from air pollution, water pollution, waste generation, the depletion of freshwater and marine resources, loss of biodiversity or damage to ecosystems. Environmental risks may negatively affect the value of investments by impairing assets, productivity, or revenues, or by increasing liabilities, capital expenditure or operating and financing costs.

- Social risk (S)

The risk arising from exposure to issuers that may be negatively affected by social factors such as poor labour standards, human rights violations, damage to public health, data privacy breaches or increased inequality. Social risks may have an adverse impact on the value of investments by impairing assets, productivity, or revenues, or by increasing liabilities, capital expenditure or operating and financing costs.

- Governance risk (G)

The risk arising from exposure to issuers that may 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 stem from factors including 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, conflicts of interest, reputational damage, increased liabilities, or loss of investor confidence.

- Transition risk

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

- Physical risk

The risk arising from exposure to issuers that may 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 risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditure, operating and financing costs.

3. Financial product classification

Financial product classification is subject to careful scrutiny by FPSESA.

All financial products, i.e., UCIs supervised by FPSESA integrate sustainability risks.

Article 6	Financial products classified as "ESG integrated". ESG assessment results are non-binding (a UCI can invest in issuers with a low ESG rating), hereafter an "SFDR Article 6 Fund".
Article 8	Financial products that promote, among other characteristics, environmental and/or social characteristics, provided that the entities in which the investments are made follow good governance practices, hereafter an "SFDR Article 8 Fund".
Article 9	Financial products that have a sustainable objective, i.e., a positive impact on the environment or society, hereafter an "SFDR Article 9 Fund". Investments are made in companies a significant proportion of whose activities are associated with the relevant sustainability objectives.

4. Monitoring and control framework

4.1 ESG questionnaire

FPSESA addresses the ESG topic with Delegated Asset Managers through a comprehensive ESG questionnaire, which must be completed before the onboarding or the launch of an SFDR Article 8 Fund or an SFDR Article 9 Fund.

Information concerning investment strategies, investment approaches and investment universes are collected to identify whether ESG criteria are integrated into the investment decision-making process and to assess the financial product classification.

4.2 Control framework

The control framework implemented by FPSESA allows the:

- Sustainability risks to be identified

As part of the due diligence exercise (and the SFDR classification of any sub-fund of an UCI), FPSESA collects information from the Delegated Asset Manager concerning investment strategies, investment approaches and investment universes to identify whether ESG criteria are integrated within the investment decision-making process.

- Level of ESG criteria integration to be measured, categorised and limits to be set

Where a sub-fund integrates ESG criteria, FPSESA will assess and analyse the level of integration using an external source of ESG data. The risk profile of the sub-fund will reflect the sustainability risks and appropriate limits will be defined by FPSESA's Risk Management.

- Monitoring of the portfolio and sustainability risk level to be re-assessed

FPSESA monitors the sub-fund's portfolio. Gaps between the pre-defined ESG integration level and the observed ESG integration level will trigger a re-assessment of sustainability risk levels, which may trigger an update of the sub-fund's risk profile.

4.3 Exclusion policy

Where the Delegated Asset Manager is part of Pictet Group, FPSESA adopts the Group's Controversial Weapons Policy. Controversial weapons are weapons that have indiscriminate effects, cause undue harm and are incapable of distinguishing between civilian and military targets:

Anti-personnel mines	A mine that is designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons. (Definition pursuant to Ottawa Convention, 1997).
Cluster munitions	Conventional munition that is designed to disperse or release explosive submunitions, each weighing less than 20 kilograms, including those explosive

	submunitions. (Definition pursuant to the Convention on Cluster Munitions, 2008).
Biological weapon	Defined in line with the multilateral Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their destruction (1972).
Chemical weapon	Defined in line with the multilateral Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993).
Nuclear weapons	Weapons that use nuclear energy. These weapons include atomic or fission bombs, as well as thermonuclear or fusion bombs. The purpose of the 1968 Nuclear Non-Proliferation Treaty is to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy and to further the goal of achieving nuclear disarmament and general and complete disarmament.

Investments in thermal coal, as defined below, are also excluded:

Thermal coal	Or 'steaming coal' is burned for steam to run turbines to generate electricity either for supply to public electricity grids or directly for industries consuming electrical power (such as chemical industries, paper manufacturers, cement, etc.). Thermal coal differs from 'metallurgical coal' or 'coking coal', which is used in the process of creating coke necessary for iron and steelmaking. Coke is a porous, hard black rock of concentrated carbon that is created by heating bituminous coal without air to extremely high temperatures.
Thermal coal mining	The process in which coal (a black or brownish-black sedimentary rock composed mostly of carbon and hydrocarbons which contain energy that is released when burned) is extracted from the ground, treated and refined treated for further use.

Where the Delegated Asset Manager is external to the Pictet Group, FPSESA will ensure that the delegate has an exclusion policy in place. It should be noted that some controversial weapons, such as cluster

munitions, anti-personnel mines, chemical and biological weapons, as well as nuclear weapons, are regulated by international conventions. Whenever an investment causes questions to be raised, FPSESA will initiate a dialogue with the Delegated Asset Manager.

5. Roles and responsibilities

The governance of the sustainability risk control framework applicable to FPSESA provides for a three-layered approach.

- Management Committee: has ultimate responsibility for sustainability risk
- Risk Management team: oversees the control framework in order to assess the operational effectiveness, the regulatory adequacy and the reliability of the controls that have been put in place. The team will also challenge the inclusion/exclusion of a sub-fund using ESG data from a different source.
- Compliance team: identifies the standards applicable to FPSESA and ensures the compliance monitoring plan.
- Investment Management Oversight team:
  The team's duties include:
  - carrying out the initial and continuous due diligence checks on Delegated Asset Managers;
  - performing a review of the investment policies and strategies, ensuring appropriate SFDR classification (Art. 6, Art. 8 or Art. 9), for each sub-fund; and
  - ensuring the appropriate ESG universe is chosen in the investment decision-making process.
- Investment Controlling team performs daily controls on the sub-funds ensuring policies and strategies are adhered to.

6. Transparency and disclosures

Pursuant to the SFDR Regulation, FPSESA has published and keeps information for each financial product categorised as an SFDR Article 8 Fund or an SFDR Article 9 Fund. This includes:

- a description of the environmental or social characteristics or the sustainable investment objective.
- information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability

indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product; and

- information referred to in Articles 8 and 9.

This information is published on https://www.group.pictet/asset-services/fundlibrary/

7. Principal adverse impacts

FPSESA does not consider principal adverse impacts of investment decisions on sustainability factors at the entity level due to the nature of its third-party management company business model (which encompass a large variety of delegated investment managers, for which the ESG consideration can significantly vary from one to another). Furthermore, the SFDR regulation provides that only financial market participants which, on their balance sheet dates, exceed the criterion of an average of 500 employees during the financial year (FPSESA is below this threshold) must publish and have on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors.

Nevertheless, information on whether the adverse sustainability impacts are taken into consideration is provided at the financial product level.

8. Conflict of interest

FPSESA is committed to identifying and mitigating or avoiding potential conflicts of interest in its business activities whenever the potential for damage, or the appearance thereof, may arise. Every employee is responsible for identifying and proactively disclosing potential conflicts of interest so that they may be appropriately managed and resolved. As part of the Due Diligence process, FPSESA ensures that the Delegated Asset Manager has appropriate mechanisms in place to prevent and manage any conflicts of interests arising from the exercise of voting rights.

9. Remuneration policy

FPSESA Remuneration Policy integrates the consideration of Sustainability Risks. In addition, Pictet employees are bound by the Group's general commitment to Sustainability and Responsible Investing, as relevant to their function.

Final provisions

This policy will be subject to an annual review.

This policy was reviewed in February 2023 and approved by the Management in March 2023.