BELAIR HOUSE

Sustainable Finance Disclosure Regulation (SFDR)

About SFDR…

The European Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector, the so-called Sustainable Finance Disclosure Regulation (SFDR), require financial market participants and financial advisors in the European Union (EU), to disclose on the integration of sustainability risks and the consideration of adverse sustainability impacts in our processes.

SFDR is an important milestone in the EU Commission's action plan on sustainable finance. This regulation aims to provide greater transparency on the degree of sustainability of financial products in order to channel investment flows towards truly sustainable investments while preventing greenwashing.

The cornerstone of the SFDR is the principle of double materiality: financial as well as sustainability, making it easier for end-investors to understand how ESG and sustainability factors are considered and integrated into their investments.

A responsible and sustainable investment framework and solid processes are essential on the journey towards sound investing. Our end-goal is to have our portfolio management services ESG-informed, adhering to a strong integration process and stewardship code.

Responsible investment practices are constantly developing and evolving. New risks may arise, public opinion may change and new market standards may be introduced. Our sustainable investment framework will, as such, be reviewed and, if necessary, adjusted on a recurring basis to incorporate these changes.

Sustainability is an integral part of Belair House's Investment strategy and processes. Our policy ensures an SRI portfolio construction in three ways: exclusion policy, ESG integration and engagement.

Exclusion policy

In order to minimize ESG related risks arising from exposure to certain sectors or activities that run a high reputational risk and unsustainable business models, Belair House's investment services are using an exclusion list targeting individual companies (and their respective bonds and equities) and countries (sovereign debt). Excluded companies are defined as companies presenting unacceptable harm to our society and where engagement makes little sense (ineffective). To avoid misunderstandings, this exclusion list only applies to the selection and analysis of direct investment in securities. When it comes to investment or recommendation of UCIs, there is no look through analysis performed to check if UCIs are meeting Belair House's exclusion policy/list. Such UCIs may or may not have their own exclusion policy and if they do, it could differ from ours.

Belair House's exclusion list is based on the following oversight:

- **Thermal coal** (it represents the most carbon intensive and the least efficient way to produce power from fossil fuels);
- **Oil sand** (non-renewable energy source with a strong impact on environment, biodiversity and health);

- **Controversial weapons** (companies directly involved in the business of controversial weapons);
- **Controversial behavior** (companies that violate the United Nations Global Compact Principles covering human rights, labor rights, environment and corruption & bribery considerations);
- **Serious violations** (Belair House does not invest in countries that present serious violations with regard to political stability or where the governance structure is deemed as unsustainable).

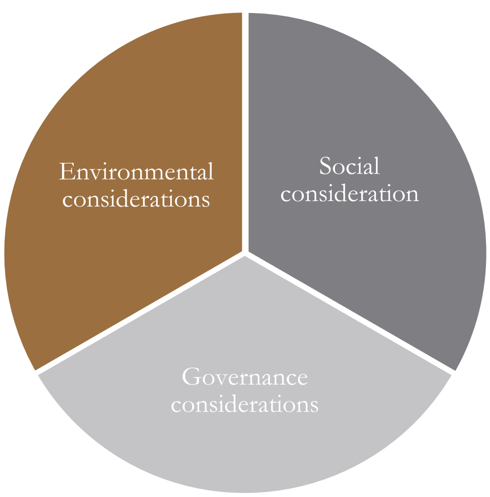
The exclusion-list is prepared using information from external data providers on periodic review. While every effort is made by Belair House to ensure that the information is complete and accurate and although a qualitative review of the data is performed, Belair House shall not be held responsible for the accuracy, adequacy and completeness of this data.

The exclusion list is also implemented taking into account our investors' best interests, with a transition period of one month following the initial implementation and following periodic revisions of the exclusion lists.

Environmental, Social and Governance (ESG) Integration

ESG integration at Belair House means that our investment services apply ESG non-financial factors as part of their analysis to identify material risks and growth opportunities. There is not a single exhaustive list of ESG factors. Those are often interlinked, and it can be challenging to classify an ESG issue as only an environmental, social, or governance issue.

On a broad and generic basis ESG factors are split as such:



- **Environmental considerations** are related to the conservation of the natural world (carbon emission, energy efficiency, pollution, biodiversity…)
- **Social considerations** related to the consideration of people, relationships and social cohesion
- **Governance considerations** related to best-practices and standards for running a company (board composition and independence, management and audit structure…)

ESG factors represent important information to assess investment risks and opportunities. Environmental, social and governance issues have an impact on the financial outlook of a company and therefore its value. Integrating environmental, social and governance factors results in better-informed investment decisions which could lead to higher risk-adjusted returns.

ESG factors and scores

Companies are exposed to major long-term ESG trends which can strongly influence the environment in which they operate and which can shape their future market challenges and long-term growth potential.

Business activity analysis is measured against **5 key sustainability challenges and opportunities**:

Climate change

How effective is the company's adaptation and mitigation roadmap to decarbonize business activities, to deploy renewable energy and to transition towards a climate neutral economy.

Resource depletion & waste management

How effective is the company in scaling up waste recuperation and recycling capabilities, to mitigate the impact of its business activities on ecosystems, to preserve biodiversity and to transition towards a circular economy.

Digitalization & innovation

How successful is the company in harnessing the opportunity to drive higher industrial and resource efficiency via innovation and digital technology, while protecting data privacy and supporting strong and resilient digital networks, supporting an inclusive economy.

Healthy living & wellbeing

To what extent is the company actively investing in human capital (job creation, gender equality and working conditions), R&D and universal access to healthcare.

Demographic shifts

To what extent is the company prepared for the requirements arising from an ageing population or from the demographic boom in some emerging countries (infrastructure investments, food supply chain,..) and to what extent is the company prepared to foster an inclusive economy and quality of life.

Stakeholder analysis

It evaluates to which extent a company incorporates stakeholder interests in its long-term strategy. It is based on six different categories (investors, human capital, suppliers, environment, clients, and society).

The stakeholder analysis assesses the strategies implemented by the company (relevance of the strategy developed, human and material resources allocated, pro-activity and monitoring) as well as the company's performance in each category by comparison to its competitors and major trends in the sector.

Engagement

Our first and foremost engagement is to embrace research and education on sustainable finance, in pursuit of continuous improvement in understanding the full-range of opportunities available to our clients, our investment strategies, our instruments selection and more broadly our business models in this field.

The appropriate and relevant approach is not the same for all investors. There is indeed no one-size-fits-all sets of beliefs. Specific forms of ESG investing can be requested for particular preferences, beliefs and circumstances. As with any form of investing, investors must establish their own personal goals and weigh the potential benefits of the various approaches against any risks and costs in order to give themselves the best chance of achieving their desired outcome.

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Assessment of principal adverse sustainability impacts

Belair House addresses the main adverse impacts of investee companies on sustainability through the integration of ESG scoring when forming investment cases and following up of investment decisions. ESG integration is explicitly part of our investment decision-making processes and controls.

About the policies used to assess the principal adverse sustainability impacts…

The Belair House's sustainable and responsible framework aims at ensuring that the investment products and services we provide to our customers do not result in an unacceptable, adverse impact on people or on the environment, while helping them understand and manage their environmental and social impact.

Our investment managers integrate environmental and social due diligence as part of existing due diligence processes. The due diligence process is central to our sustainability risk assessment, allowing us to implement our principles, with a consistent integration of ESG considerations in the risk/reward analysis of investment case.

Each investment manager is given access to an ESG database in order to screen the sensitivity of potential investments based on their impact on the environment, on social strengths and weaknesses and on governance standards. In turn, each individual is responsible for adapting to meet key ESG parameters and for effectively integrating key ESG considerations. The database also helps them to screen the universe in order to refrain from investments for which there is no opportunity for remediation, redress or improvement in larger and multiple activities and norms, thus adding an extra layer to the existing Belair House's exclusion list.

The identification of principal adverse sustainability impacts is integrated into the ESG scoring methodology.

For all funds and mandates with an ESG approach (Article 9 or Article 8 of SFDR), Belair House defines ESG characteristics which must be followed.

Description of actions taken to address principal adverse sustainability impacts

Risks related to sustainability factors cannot be treated separately from other risks as they may have a financial impact. The integration of ESG risks and mitigation actions into investment products and services has been implemented via the integration of our sustainable investment policy into our policies and processes.

The prioritization of principal adverse impacts indicators is at the cornerstone of the materiality framework integrated into the ESG scoring methodology.

Actions taken to address principal adverse sustainability impacts are specific to each of the investment products and services Belair House provides to its clients.

While we also frequently call upon ESG experts for advice on issues that concern us, we ensure that, overall, our relationship and investment professionals are trained regarding our sustainability investment framework and their own responsibilities to ensure consistent implementation, so that policies, procedures and standards are properly implemented.

Engagement policies

We are aware that some of the goals we have set for ourselves are necessarily aspirational. As of today, Belair House does not engage on sustainability-related matters.

Adherence to international standards

Corporate social responsibility is one of the main concerns of Belair House. Our sustainability roadmap includes the ambition to adhere to a selected number of international collaborative statements, dialogues and networks that focus on advancing the practice of responsible investment and sustainable development.