Strategy for dealing with sustainability risks in the investment decisions of

INTER-PORTFOLIO

Verwaltungsgesellschaft S.A.

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1. Brief description

In addition to economic aspects, ESG (Environment, Social & Governance) criteria are increasingly taken into account when making investment decisions. As a subsidiary of BTG Pactual Europe S.A. (formerly FIS Privatbank S.A.), Inter-Portfolio (hereinafter referred to as "IP") recognized the importance of an active sustainable investment approach at an early stage. BTG Pactual Europe S.A. and IP are convinced that asset management can make an important contribution to protecting nature, promoting and ensuring social progress and questioning and demanding corporate governance.

As a company, IP is playing its part in ensuring that progress and value enhancement are now closely linked to sustainability. As an investment company, we are aware of our social responsibility: sustainability is one of IP's key concerns. We therefore pay particular attention to ESG criteria when investing and generate sustainable positive added value for society, the investor and the investments. In addition, BTG Pactual Europe S.A. and IP have signed the UN Principles of Responsible Investments (PRI), thereby committing themselves to sustainability in the active asset management process (UN PRI[1]). The UN Principles for Responsible Investment (PRI) were developed by the United Nations in 2006 to integrate ESG principles into investment practice. When the UN Sustainable Development Goals (SDGs) were launched in 2015, they helped to set targets for these principles to shape a sustainable future. Since then, various national and international initiatives have underlined the scale of the investment opportunities created by these goals. For the majority of funds, portfolio management actively incorporates environmental, social and governance considerations into the investment analysis and decision-making process, thereby taking responsibility.

In addition, IP undertakes to publish useful information and documents from the implementation and application of the ESG standards. IP is continuously working on the further development of the standards, criteria and processes in the interest of improving ESG capability while at the same time achieving a positive performance of the assets under management. IP and its portfolio managers act in accordance with the principles of a sustainable investment approach:

- Careful analysis
- Deliberate exclusion
- Active selection
- Sustainable investment

Portfolio management avoids investments that are not in line with its values and standards in terms of sustainability. A dual effect of positive value creation for the investor and society can be achieved by investing in assets that have a positive impact on both target groups. This guideline describes the internal procedure, documentation obligations and escalation and control scenarios.

The aim is

[1] https://www.unpri.org/signatory-directory/fis-privatbank-sa/9978.article

- the company-wide ESG integration in the investment process and
- define engagement and dialog strategies.

2. Definitions and interpretations

ESG risks are sustainability risks of countries or companies in connection with environmental, social or corporate governance aspects.

Portfolio/ portfolios are mutual funds

Portfolio managers are the portfolio managers of the IP funds who make the investment decisions (purchase and sale) for the individual portfolios of assets managed by IP.

3. Investment approach

The investment approach and processes are largely defined by clearly defined criteria. These therefore form binding principles in the selection and investment process. In addition to the product-specific investment objectives and statutory investment limits, ESG criteria in the selection and investment process reflect another important aspect that portfolio management takes into account when analyzing, selecting and making investment decisions.

Investors participate in the ESG-compliant investments of the portfolio management and become part of the responsibility for society, nature and progress. Within the fund-specific investment process, investment opportunities are analyzed and evaluated according to ESG criteria. Portfolio management systematically analyzes the target investments using a wide-ranging catalog of environmental, social and governance factors. This is based on independent studies, ratings, publications, research and internal standards. Information on the investment process is described and disclosed in the annual report for the IP fund.

Four basic building blocks are taken into account when analyzing investment decisions:

- ESG risk assessment
- Exclusions
- Global, standards-based standards
- Controversies

The investment strategy of a sub-fund may result in the sub-fund investing in securities sectors or economic sectors that underperform the market as a whole or individual investment funds that do not take a sustainability strategy into account. The performance of a sub-fund may therefore be less strong.

3.1 ESG risk assessment approach

The classification of an external service provider is generally used for the risk assessment. This ESG risk assessment measures the extent to which the economic value of a company is jeopardized by ESG factors or, in more technical terms, the extent of a company's unmanaged ESG risks. The ESG risk rating of a company or a state consists of a quantitative score that can be assigned to a respective risk category. ESG risk assessments are integrated into the investment decision-making process and portfolio construction. The ESG risk assessments can be interpreted on an absolute level per issuer or on a relative basis compared to the benchmark or the investment universe. Different approaches can be taken depending on the fund.

3.2 Exclusions

The IP has defined a negative catalog that sets out criteria according to the "exclusion principle" that prohibit investments in principle:

The IP excludes investments in companies or products issued by companies that violate the UN conventions on cluster munitions, chemical weapons and other banned weapons of mass destruction or finance such companies/products. Deviations from this principle are not permitted. Furthermore, the portfolio management observes additional restrictions when implementing the product-side investment policies of the investment funds managed by IP, which can be outlined below, among other things:

- Energy and environment
- Steam coal
- Value-based sectors
- Adult entertainment
- Tobacco
- Food speculation
- Defense and military investments
- Controversial weapons
- Military contracts
- Small arms

3.3 Adverse sustainability impacts

Adverse sustainability impacts are defined as the effects of investment decisions that have a negative impact on sustainability factors. Sustainability factors include environmental and social issues, respect for human rights, sustainable corporate governance and the fight against corruption. Indicators from the areas of environment, social affairs and good governance are used to make the most important adverse sustainability impacts measurable.

The most important sustainability factors include environmental, climate, social and employee concerns, as well as aspects of good corporate governance, respect for human rights and the fight against corruption. As part of ESG integration, IP also analyzes the most important adverse effects on sustainability factors. To identify, measure and evaluate adverse sustainability impacts, the portfolio managers draw on external analyses by ESG agencies, public documents from the companies and notes from direct dialog with company managers. The adverse sustainability impacts (e.g. greenhouse gas emissions, intensive water consumption, frequency of occupational accidents, violations of the UN Global Compact, diversity on the Supervisory Board) can thus be analyzed comprehensively and taken into account when making investment decisions.

When assessing the sustainability of investments, various sustainability aspects are weighted depending on their relevance for the respective business model. For example, the relevance of greenhouse gas emissions is significantly higher in particularly CO2-intensive sectors than in less CO2-intensive sectors. The ability to systematically consider the most important adverse sustainability impacts depends largely on the available data quality.

This varies depending on the asset class/investment universe. For example, not all data on the companies in which the IP funds invest is available to a sufficient extent. Through active engagement (e.g. via initiatives or direct dialog with companies and data providers), IP is working to improve data quality in the long term.

The most important adverse sustainability impacts for the IP are those on the social and employment indicators and greenhouse gas emissions.

These are taken into account in the investment process by applying sales-based exclusion criteria and standards-based filters/conventions. For example, companies that generate more than 30% of their turnover from the production or sale of coal are excluded. This indirectly reduces greenhouse gas emissions. If a company violates the standards listed in the next paragraph, an investment is also not possible.

3.4 Global standards

IP takes compliance with global standards very seriously. The treatment of violations is critically examined and documented in the investment process. In case of doubt, the ESG Committee can also be consulted for sustainable products. This committee can recommend exclusion or sale, which can be implemented as described in this policy. The standards-based standards include, among others

UN Global Compact

1. Companies should support and respect the protection of international human rights.
2. Companies should ensure that they are not complicit in human rights violations.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Companies should advocate the elimination of all forms of forced labor.
5. Companies should stand up for the abolition of child labor.

6. Companies should advocate the elimination of discrimination in employment and occupation.
7. Companies should follow the precautionary principle when dealing with environmental problems.
8. Companies should take initiatives to promote greater environmental awareness.
9. Companies should accelerate the development and dissemination of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

In addition, **compliance with human rights** and **ILO labor standards** is considered essential.

3.5 Controversies

IP regularly reviews the investment universe for potential controversies. The classification is initially carried out by an external data provider. If the highest level is reached, the ESG Committee must be consulted in the case of sustainable products to discuss whether a company should or can continue to be included in the portfolio from an ESG perspective. If the investment is excluded, this is documented and implemented in accordance with this policy.

4. ESG commitment

IP and the portfolio managers of the IP funds strive to maintain a direct or indirect dialog with the management up to the supervisory board of the companies concerned. IP is committed to maintaining an active dialog with companies in the interest of implementing ESG standards and opportunities, especially if IP's portfolio managers can exert a certain influence on the issuer due to the current positioning or an investment decision that depends on it. Our engagement should be seen in context and in relation to the size of the company, its age, the resources available and its importance within the funds, in order to take a pragmatic, holistic approach and work towards further development of the company within the scope of our possibilities. The engagement process is based on three different pillars:

- Direct dialog
- Formal engagement process
- Community involvement

4.1 Direct dialog

Direct dialog can take place with companies, regardless of whether they are held in a sustainable or conventional product. Portfolio management uses discussions with companies to understand their business policy, business strategy and sustainability principles and to be able to weigh these up against the corporate principles of IP. The direct dialog can be documented in detail.

4.2 Formal engagement process

As part of the formal engagement process, portfolio managers of sustainable products should come into contact with companies. The discussions should focus on improving the ESG risk profile of the companies. To this end, the management of selected companies is contacted directly and ways to better integrate environmental, social or corporate governance aspects into the respective company are discussed together.

The following different escalation levels should be observed:

The Investor Relations department or the Management Board directly can also contact the Supervisory Board if agreed, documented targets or milestones are not met. In addition, the right to speak and vote at the Annual General Meeting can be exercised in the event of further escalation.

4.3 Community involvement

IP defines collaborative engagement as the support of initiatives by several investors or other capital investors with the aim of improving environmental, social or other aspects. These commitments can involve public and private companies, countries or regions.

Community engagement can be proposed and initiated by the ESG Committee. The aim of community engagement is a constructive and critical exchange with company leaders to improve the respective ESG profile if the IP can only exert little direct influence through the aforementioned approaches.

5. ESG goals and consistency

The portfolio managers of the IP funds undertake to focus on achieving a dual effect as part of active portfolio management. In addition to the goal of an appropriate increase in value for the investor, the investments should also utilize and bring about overarching opportunities and perspectives in the context of ecological and social aspects. In order to provide IP's clients with comprehensive information, IP strives for the best possible transparency. IP also regularly determines the proportion of sustainable investments in its sub-funds. It uses the revenue-weighted approach for this purpose.

5.1 Transparency

In accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability-related disclosures in the financial services sector, IP is committed to transparency with regard to

- Strategies for dealing with sustainability risks,
- adverse sustainability impacts at company level,
- the remuneration policy in connection with the consideration of sustainability risks,
- the consideration of sustainability risks,
- adverse sustainability impacts at portfolio level,
- the advertising of ecological or social characteristics in pre-contractual information,

- the promotion of ecological or social characteristics of sustainable investments on websites,
- advertising ecological or social characteristics of sustainable investments in regular reports.

5.1.1 Transparency of the remuneration policy in connection with the consideration of sustainability risks

In accordance with applicable legal and regulatory requirements, including sustainability risks in accordance with Disclosure Regulation (EU) 2019/2088, Inter-Portfolio Verwaltungsgesellschaft S.A. defines principles for its remuneration system, which it applies to its employees.

The general remuneration policy supports the appropriate management of all relevant business risks - including sustainability risks.

Sustainability risks reflect the relevant environmental, social and governance aspects as well as the main adverse impacts. The remuneration structure is defined in such a way that it does not encourage excessive risk-taking in relation to direct or indirect sustainability risks.

5.2 Sustainable strategies

In its definition of sustainable strategies, IP follows the BVI approach and assigns the strategies to the Basic, ESG and Impact categories:

Basic

- ESG opportunities/risks taken into account according to the criteria of "ESG integration"
- Integration approach disclosed

ESG

- Dedicated ESG strategy
- Minimum exclusions

Impact

- Impact-related investments
- No serious violations of the UN Global Compact

In the Basic category, ESG is systematically integrated into the investment process and realized as part of the investment, e.g. by exercising voting rights, actively exercising shareholder or creditor rights and/or through dialogue with issuers.

Funds and mandates are assigned to the ESG category if a dedicated ESG strategy is listed and minimum exclusions are complied with. The minimum exclusions for the ESG classification and thus for Art. 8 in accordance with Regulation (EU) 2019/2088 (SFDR) include

Minimum exclusions for companies

- Serious violations of the UN Global Compact (without positive outlook)
- Production and/or distribution of defense equipment >10% of sales
- Zero tolerance for
  - Cluster munitions (Oslo Convention)
  - Anti-personnel mines (Ottawa Convention)
  - A, B and C weapons in accordance with the respective UN conventions
- Tobacco production > 5% of sales
- Production and/or distribution of coal >30% of sales

Minimum exclusions for government issuers

- Country not among the top 100 of the Transparency International Corruption Perceptions Index
- Unfree states according to Freedom House Index

In addition to the previous categories, impact-related funds require a high minimum proportion of sustainable investments. For the public retail funds, the allocation that can be found in the current fund prospectus initially applies.

5.3 Revenue-weighted approach

In accordance with Directive EU 2022/1288, the IP discloses the extent to which the investments made are investments in environmentally sustainable economic activities. To determine this, the IP uses the proportion of the turnover of the companies in which investments were made as standard.

An external data provider provides IP with the shares of revenue from sustainable economic activities for the individual companies. These values are weighted with the portfolio share of the respective security and then result in the total share of sustainable investments of a sub-fund. Cash positions are not taken into account.

6. De-investment

The portfolio management will actively place a de-investment (sale) if the analyses and evaluations of publicly available information and documents or those received as part of the active dialog indicate a violation of its ESG standards. In cases of doubt or in the interest of clarifying disputed analysis results, portfolio management may involve the ESG Committee and bring about a further assessment and decision. If necessary, an external party or a data provider can be consulted in the interests of a sound analysis and assessment. If non-compliance with ESG criteria is confirmed, the portfolio management must restore compliance with the rules within 3 months or carry out a de-investment. This is monitored by Investment Compliance and Risk Management.

7. ESG integration in risk management

Sustainability risks are events or conditions in the environmental, social or corporate governance areas, the occurrence of which could have an actual or potential negative impact on the net assets, financial position and results of operations as well as the reputation of IP. For companies that manage portfolios on behalf of third parties, sustainability risks also relate to the managed portfolios (funds). IP is aware of the importance of dealing with sustainability risks. As a result, ESG-related risks are already taken into account when analyzing potential transactions in portfolio management, monitored after the transaction has taken place and also integrated accordingly in the Risk Management department. ESG risks are identified, monitored, managed and communicated.

7.1 Sustainability risks

A separate risk type "sustainability risks" has not been defined. Sustainability risks can have a significant impact on all known risk types. IP considers them to be a factor that has a significant impact on known risk types (credit risk, market price risk, reputational risk, etc.).

Sustainability risks have the potential to have a negative impact on all business areas and risk types. Sustainability risks can become relevant both in the short term and in the medium to long term and generate pressure to act.

7.2 Risk strategy and monitoring

IP has extended the existing risk management process and risk management manual to include the handling of sustainability risks. BTG Pactual Europe S.A. and IP are committed to implementing the UN PRI sustainability standards. These are incorporated into the Group's ESG standards and principles. Compliance with the ESG standards and principles and IP's risk strategy are reviewed on an ongoing basis. As a result, IP will review the methods and procedures for identifying, assessing, managing, monitoring and reporting sustainability risks at regular intervals. The results are communicated transparently within IP's organizational structure.

The Risk Management department will use all available information to continuously monitor whether and how processes for identifying, managing and reporting sustainability risks can be systematically or selectively improved. ESG data from an external provider is used to determine the sustainability aspects of investments and to derive additional information on sustainability risks where necessary. In light of the above points, IP will not simply adopt this ESG data with regard to the assessment of the sustainability of an investment, but will critically scrutinize it and thus carry out an appropriate plausibility check.

8. Strategy for maintaining due diligence

In its function as an investment fund manager ("IFM"), Inter-Portfolio has the ultimate responsibility for compliance with the regulatory and contractual requirements of the investment funds under its management. Applying this self-image, Inter-Portfolio applies the following strategies to maintain due diligence in the context of corporate sustainability:

Monitoring of regulatory and/or contractual investment requirements

This applies in particular to investment funds within the meaning of Art. 8 of the Disclosure Regulation whose investment policy defines a specific sustainability context. To this end, Inter-Portfolio has defined appropriate internal control mechanisms on the basis of which solid guidelines, processes and procedures are in place, particularly with regard to breaches of the investment regulations.

Monitoring the associated portfolio managers with regard to the consideration and ongoing assessment of the relevant sustainability risks as part of the investment process

Inter-Portfolio is obliged to subject affiliated service providers to an initial and ongoing suitability check (due diligence). The investment process is also monitored as part of this process.

9. Review of the sustainability policy

This sustainability policy is subject to regular review and is updated as necessary depending on the development of business activity and the adjustment of strategies for implementing sustainability criteria and risks. The current version of the sustainability policy is published on the website of Inter-Portfolio Verwaltungsgesellschaft S.A. www.inter-portfolio.com.