V2 – December 2022

SUSTAINABILITY RISK POLICY

A. LEGAL FRAMEWORK

NS Partners Europe S.A. (hereinafter „NSE“ or „Company“) is a management company authorised by the Luxembourg supervisory authority Commission de Surveillance du Secteur Financier (hereinafter “CSSF”) pursuant to Chapter 15 of the Luxembourg law of 17 December 2010 on undertakings for collective investment (hereinafter "UCI Law") and is also authorised as an alternative investment fund manager pursuant to the Luxembourg law of 12 July 2013 on alternative investment fund managers (hereinafter "AIFM Law"). NSE is further authorised to provide services in accordance with article 101 (3) of the UCI Law respectively article 5 (4) of the AIFM Law.

Within the scope of its regulatory authorisation, the Company manages funds that qualify as undertakings for collective investment in transferable securities ("UCITS") or alternative investment funds ("AIF") and individual mandates (hereinafter "products").

On 27 November 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector (hereinafter "SFDR") was published and entered into force on 10 March 2021.

The main objective of the SFDR is to create transparency on:

- how sustainability risks are considered in the management of products; and
- if principal adverse impacts of investment decisions on sustainability factors (“comply or explain”) are considered in the management of products.

These transparency requirements apply in principle to both the Company and the managed products.

B. PURPOSE

This policy describes how the Company manages sustainability risks that may arise during the management of the products as required by article 3 SFDR:

- ex-ante, as part of the investment decision-making process; and
- ex-post, as part of the ongoing monitoring.

The Company is aware of the potential impact that sustainability risks may have on the managed products and their risk-return profiles. The procedure described in this guideline for the integration of sustainability risks as part of the investment decision-making process and the ongoing consideration of these risks also serves to document the fulfilment of the extended fiduciary duties of the Company towards the investors and clients of the managed products in accordance with the SFDR.

C. POLICY REVIEW

This policy will be reviewed and updated annually, and on an ad hoc basis in case of relevant changes to the organizational structure of the Company, in case of amendments to the regulatory framework governing this policy or if otherwise deemed necessary.

D. SUSTAINABILITY RISK – REGULATORY FRAMEWORK

D.1. Sustainability risk – Definition of the SFDR

According to article 2 (22) SFDR sustainability risk means an environmental, social or governance (hereinafter "ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

D.2. Sustainability risk – Interaction with traditional risk categories

The UCI Law as well as the AIFM Law are based on the relevant European Directives (i.e. UCITS Directive, AIFM Directive) and further supplement by delegated regulations. These regulatory requirements also define the relevant risk categories to be considered by the Company for the managed products, namely (i) market risk, (ii) liquidity risk, (iii) counterparty risk, (iv) credit risk and (v) operational risk. Sustainability risk does not form a separate risk category, but the effects of sustainability risks are manifesting themselves in the different risk categories, mainly in the market risk.

D.3. Sustainability risk – Relationship with "Principal Adverse Impacts"

Article 4 of the SFDR establishes the principle of "Principal adverse impacts" (hereinafter "PAIs") of investment decisions on sustainability factors. For the assessment of the different categories of sustainability factors[1], various underlying sustainability risk indicators can be used. Sustainability risk indicators also form the basis for the identification and assessment of sustainability risks.

[1] According to article 2 (24) SFDR sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Company's handling of PAIs in accordance with the requirements of article 4 of the SFDR is closed separately on the website.

D.4. Sustainability risk – Requirements of the SFDR

The SFDR imposes transparency requirements on the Company and the managed products in connection with sustainability risks. The transparency requirements require that both the Company and the managed products describe how sustainability risks are considered and integrated within the investment decision-making process.

	SUMMARY OF REQUIREMENTS	LEVEL	IMPLEMENTATION
ART. 3 (1) SFDR	Description of how the sustainability risks are integrated in the investment decision-making process	Company	Description in this policy
ART. 6 (1) SFDR	Description in pre-contractual disclosures with respect to: (i) The manner in which sustainability risks are integrated into the investment decisions; and (ii) The results of the assessments of the likely impacts of sustainability risks on the returns of the managed products. Where sustainability risks are not deemed relevant, the pre-contractual disclosures shall include a clear and concise explanation of the reasons therefor.	Products	Principle description in the relevant pre-contractual disclosures of the respective products, how sustainability risks are taken into consideration within the investment decision-making process.

E. SUSTAINABILITY RISK – INTEGRATION IN THE INVESTMENT DECISION-MAKING PROCESS

E.1. Sustainability risk – Organisational set-up of the portfolio management function

The Company is in principle responsible for exercising the portfolio management function for the managed products. The exercise of the portfolio management function of the products can in principle be structured as follows:

- the portfolio management function is performed by the Company itself (with/without the involvement of an investment advisor);
- the portfolio management function is delegated to a qualified third party.

The following principles are relevant irrespective of which portfolio management setup is relevant for the individual products:

- The Company is aware of the potentially significant impact that sustainability risks can have on the managed products and considers sustainability risks to be relevant in principle for all managed products – regardless of the setup of the portfolio management function in the managed products;
- the sustainability risks deemed relevant are integrated in the investment decision-making process, considering the disclosures in the pre-contractual information of the respective product pursuant to article 6 (1) SFDR and the (potential) qualification of the respective product pursuant to article 8 or 9 SFDR;
- sustainability risks can be assessed both qualitatively and quantitatively;
- the risk management function for all managed products is involved in the ongoing monitoring of the sustainability risks of the managed products (cf. section F).

E.2. Sustainability risk – Integration in the investment decision-making process in case the portfolio management function is delegated

The Company may delegate the portfolio management function to qualified third parties. In the event of delegation, the delegated portfolio manager shall be responsible for the investment decision-making process and the consideration of sustainability risks. With respect to the investment strategy sustainability risks deemed relevant shall be integrated within the investment decision process, considering the disclosures in the prospectus of the product pursuant to article 6 (1) SFDR and the qualification of the product pursuant to article 8 or 9 SFDR.

The Company is required by law to monitor the quality of the services provided by a delegated portfolio manager on an ongoing basis. In order to fulfil its obligations, the Company has implemented a contractual agreement as well as an appropriate process to verify that the investment decisions made by a delegated portfolio manager comply with regulatory and legal requirements.

The Company will assess the integration of sustainability risks in the investment decision-making process as part of the (periodic) due diligence and ongoing monitoring of the delegated portfolio manager.

E.3. Sustainability risk – Integration in the investment decision-making process as required by the SFDR

In accordance with the requirements of article 6 (1) SFDR of the SFDR, each product must disclose in the pre-contractual information whether and how ("comply or explain") sustainability risks are considered in the investment decision-making process. The consideration must not lead to a limitation of the investable universe.

A product that meets the requirements of article 8 or 9 SFDR shall disclose in the pre-contractual information the binding ESG/sustainability criteria used in the investment decision-making process (e.g. exclusion of certain sectors/practices ("negative screening"), integration of ESG ratings, proportion of sustainable investments in accordance with the legal definition of article 2 (17) SFDR) ensuring the appropriate consideration of sustainability risks. The consideration leads to a limitation of the investable universe.

E.4. Sustainability risk – Integration in the investment decision-making process and the consideration of sustainability factors

The objective of the portfolio manager's consideration of sustainability risks is to identify the occurrence of these risks as early as possible and to take appropriate measures to minimise the impact on the affected assets or the overall portfolio of the product, as sustainability risks can have a negative impact on the value or price of an asset of the product.

Sustainability factors are relevant risk indicators that can manifest themselves as sustainability risks. The sustainability factors that can be responsible for a negative impact on the return of the product are divided into environmental, social and corporate governance aspects. While environmental aspects include, for example, climate protection, social aspects include, for example, the consideration of internationally recognised labour law requirements. Corporate governance aspects include, for example, the consideration of anti-corruption and anti-bribery requirements as well as data protection.

The specific sustainability factors that are considered may vary between products, as they depend on the respective investment strategy.

The impact of sustainability factors on a product (asset, portfolio) is monitored throughout the life cycle of the investment and may therefore lead to the disinvestment of certain investments in the event of an increase in the sustainability risk and negative impact of the return of a specific investment or the product's portfolio.

F. SUSTAINABILITY RISK – ONGOING MONITORING

The ongoing monitoring of sustainability risks is ensured by the Company by integrating the identified sustainability risks into the risk profiles of the managed products by considering relevant sustainability risk indicators/factors.

The identification and selection of the relevant sustainability risk indicators/factors and their application to the product and individual investments is in principle influenced by the following elements:

- Investment strategy of the product (e.g. sector, geography);
- disclosure on the consideration of sustainability risks in the pre-contractual information pursuant to article 6 (1) SFDR;
- classification of the product as "non-sustainable", Art. 8 or 9 according to SFDR;
- availability of adequate data and information (quantitative, qualitative).

The definition of the tolerated values of the identified relevant sustainability risk indicators/factors is considering the overall risk classification of the respective product. The risk profiles and escalation levels and measures are discussed by the risk management function of the Company with the portfolio manager. The risk management function is responsible for the ongoing monitoring of compliance with the values defined in the risk profile.

F.1. Sustainability risk – Ongoing monitoring & escalation

The risk management function is responsible for the continuous monitoring of compliance with the values defined in the risk profile of the respective products. If these values are reached and/or exceeded, the risk management function has in principle the following responsibilities:

- Escalation within the risk management function to the responsible risk manager and decision as to whether ad-hoc information is to be provided to the Conducting Officer responsible for the risk management function;
- escalation of reaching and/or exceeding the value(s) to the portfolio manager;
- agreeing on a plan (measures, timing) to return the sustainability risk indicators/factors within the values set in the risk profile;
- monitoring of the effective reduction of the sustainability risk indicators/factors within the values defined in the risk profile;
- documentation and consideration in the reporting of the respective product.

G. REPORTING

The risk management function of the Company reports periodically to the Management Committee and the Board of Directors on the overall risk exposure of the products based on the results of the risk categories as defined in the risk profile.

The portfolio management function of the Company reports regularly on the results of due diligence and ongoing monitoring regarding the delegated portfolio manager.