TreeTop Asset Management S.A.
SUSTAINABILITY RELATED DISCLOSURES

INFORMATION ON POLICIES REGARDING THE INTEGRATION OF SUSTAINABILITY RISKS INTO INVESTMENT DECISION-MAKING PROCESSES

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 (hereinafter, the "SFD Regulation" or the "SFDR"), aims to establish harmonised rules for financial market participants concerning information to investors and potential investors on their policy relating to sustainability risks and consideration of adverse sustainability impact in their investment decision processes.

Under the SFDR, TreeTop Asset Management S.A. (the "Management Company") is a financial market participant and the UCITS and AIFs (hereinafter collectively referred to as "Funds") managed by the Management Company are defined as financial products, thus the SFD Regulation applies to these products.

"Sustainability risk" is defined in the SFD Regulation as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material adverse impact on the value of one or more investments held by a Fund managed by the Management Company.

A distinction should be made between the sustainability risk associated with an investment made by an investor in the shares of a Fund managed by TreeTop and the sustainability risk associated with an investment held by that Fund.

Given the extremely broad scope of this definition, most investments are exposed to varying degrees to sustainability risks.

For example, sustainability risks include, but are not limited to:

1. Environmental field
    a. Scarcity of natural resources required for production or an increase in their prices, particularly water, metals, etc.
    b. Increase in the frequency and severity of natural disasters such as cyclones, storms, hurricanes, droughts, etc.
    c. Increase in production costs following compliance with anti-pollution standards
    d. Decline or disappearance of markets as a result of changes in consumer behaviour
    e. Costs of decontaminating production areas
    f. Obsolescence of processes or products
2. Social field
    a. Reputational risks related to poor social practices at the company and its suppliers
    b. Risks of strikes
    c. Litigation and reputational risks
    d. Risks of disruptions in production or supply chains due to social movements at the company or its suppliers
3. Governance field
    a. Risks associated with account falsification due to lack of competence or independence of directors
    b. Risks associated with poor strategic choices due to the low level of diversity of directors and senior executives

c. Risks of dispossession related to a legal and regulatory framework that does not protect minority shareholders.

The occurrence of a sustainability risk (as defined by the SFDR as an event that could have a significant adverse impact on the value of the investment) will result, depending on the case, in (i) an increase in the operational costs of a company (for example as a result of the increase in the price of a natural resource due to its growing scarcity) and/or (ii) a decrease in its income (for example, following a change in consumer behaviour away from products deemed unsustainable). Either way, the company's profits are likely to be affected. Consideration by the market of these risks will affect the value of the financial instruments issued by this company and therefore their return. It should be noted that what constitutes a sustainability risk for some companies may represent opportunities for other companies, particularly those that have been able to anticipate these changes in the environmental, social or governance field, that innovate or that meet new customer needs.

Depending on its economic activity, but also on the geographical area where it operates, a company will be more or less exposed to different types of environmental, social or governance risks. For example, a company active in the media sector will not be exposed in the same way to environmental risks as a company active in the mining sector, or two companies operating in the same economic sector but in two countries with different levels of labour law will not be exposed in the same way to social risks. From the above, it can be concluded that, as with other types of risks, diversification of investments across different economic sectors and different geographic areas helps to reduce a portfolio's exposure to sustainability risks.

Quantifying the adverse impacts of the often hypothetical occurrence of certain sustainability risks on the value of an investment is difficult. However, the prices of listed liquid financial instruments incorporate the consensus of investors on the adverse impacts, real or potential, of these risks on the value of these instruments.

In principle, the impact of sustainability risks will potentially be greater for equities than for corporate bonds, unless the occurrence of such risks jeopardises the company's ability to issue payments of interest due or to pay borrowed principal at maturity.

The Management Company's approach to managing sustainability risks is part of its general risk management policy: the Funds managed by the Company are diversified, at a minimum, at three levels:

- In terms of the number of investments held in the portfolio: a sustainability risk affecting only one company (e.g. falsification of a company's corporate accounts) will not affect the value of the other securities and the impact on the value of the UCI will therefore be diluted;
- At the level of economic sectors and geographical areas: the Funds' investment policy is to invest in different geographical areas and economic sectors, and, for some, in different asset classes. Consequently, their exposure to sustainability risks is mitigated, without excluding them, due to the diversification of their investment portfolio. In addition, these Funds mainly invest in liquid listed instruments, so that it can reasonably be assumed that sustainability risks relevant to a given investment are integrated through market expectations into the share prices. However, the risks resulting from environmental, social or governance events of an exceptional or unforeseeable nature, such as natural disasters or pandemics, can have sudden and significant negative consequences for the value of the investments held in the portfolio.

INFORMATION ON NEGATIVE SUSTAINABILITY IMPACTS

The SFD Regulation defines "sustainability factors" as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Management Company may not take into account adverse impacts of investment decisions on sustainability factors as defined in the SFDR. At this stage, the Management Company does not take these

effects into account for the following reasons:

i. firstly, given the investment policy of the sub-funds, it is not certain at this date that the qualitative and quantitative data relating to sustainability indicators regarding the adverse impact of the Management Company's investment decisions (on behalf of its sub-funds regarding environmental, social and good governance issues) are or will be publicly available for all issuers and all relevant financial instruments, and

ii. secondly, the costs involved in analysing these impacts (costs that would inevitably be borne indirectly by investors) appear to be excessive in relation to the benefits that would result from this analysis, in the context of the investment strategies proposed by the Management Company.

The Management Company could reassess its decision relating to adverse impacts of investment decisions on sustainability factors.

THE ESG RATING

This ESG analysis, regularly updated by the data provider Bloomberg, provides an assessment of issuers' positioning with regard to sustainability issues.

This assessment takes the form of a rating on each of the three ESG pillars and then an overall aggregated ESG rating. The purpose of this rating is to assess issuers on their management of ESG risks, as well as their ability to seize opportunities related to sustainable development.

Each issuer analysed receives a rating on a scale from 1 to 10 (1 being the lowest). This rating therefore makes it possible to compare issuers from the same sector with each other in terms of their consideration of sustainability risks.

SUSTAINABILITY RISK MANAGEMENT

The Management Company defines an investment universe that integrates the monitoring of sustainability risks and the consideration of negative impacts in its selection process for:

- Equities and bonds.
- Derivatives.

The Management Company also implements exclusion lists in its management policy. These lists are drawn up on the basis of various external sources:

- The first list concerns companies included on national or supranational exclusion lists in relation to the fight against money laundering and the financing of terrorism, or companies domiciled in countries included on such lists. The Management Company is prohibited from investing in securities issued by such companies.

- The second list aims to identify companies involved in controversial activities such as the manufacture and marketing of weapons, tobacco production, gambling, violation of human rights, etc. The Management Company thoroughly reviews the reasons that led to a company's inclusion on such lists by these external sources before, if necessary, agreeing to invest in securities issued by these companies.

Document date: December 2024