



Policy on the integration of sustainability risks in the investment decision-making process – Annex 1 to the Risk Management Policy



Drive for
performance

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In accordance with **art. 3 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 sectors, financial market participants:

- (1) shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process

1. SUSTAINABILITY RISKS IN SHORT

Sustainability factors – mean environmental, social and work force related aspects, respect for human rights, issues related to the fight against corruption and bribery.

Sustainability-related risks mean environment, social or governance related events or conditions that, should they occur, they could cause a significant negative, actual or potential effect on investment value.

Sustainability risks – mean aspects related to the environment, SoCal and those connected to work force, respect for human rights, issues related to the fight against corruption and bribery.

Sustainability risks may manifest as a risk on its own right, or may have a significant impact and may significantly affect all other existing risk categories, being a factor that could contribute to their materialization.

Two types of sustainability risks may be distinguished (the principle of double materiality):

- first of all, rights that could be caused by sustainability risks that might have a negative impact on the analysed assets or issuer (“outside-in” financial materiality).
- second of all, other risks that might be caused by that particular issuer that might influence, for example, sustainability factors (“inside-out” social or environmental materiality).

Sustainable investment – means an **investment in an economic activity that:**

- **significantly contributes to an environment objective**, measured for example through key indicators in the field of efficient resource use, regarding the use of energy, energy from renewable sources, raw materials, water and land, in the field of waste production and green-house effect gases and regarding the effects on biodiversity and circular economy, or
- **contributes to a social objective**, in particular an investment that contributes to the fight against inequality, or promotion of social cohesion, social integration and labour relations, or investments in human capital or in economically or socially challenged communities, **provided that** such investments:
- do not significantly prejudice any of the other objectives and that

- the companies in which investments have been made follow good governance practices, particularly with regard to sound management structures, labour relations, remuneration of relevant personnel and compliance with tax obligations.

2. INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISION-MAKING PROCESS

EVERGENT Investments believes in the importance of sustainable investments and in the integration of ESG factors in investment decision-making. We consider that ESG factors that are significant from a financial standpoint may have a positive or negative impact on investment performance, an important consideration for effectively managing risks and for reaching the investment objectives set by our shareholders.

Therefore, portfolio management departments are responsible for the incorporation of financially material ESG factors into the investment process focused on risk management. At the same time, active engagement with the companies in which we invest is another key element for the management of investment risk. As efforts to integrate ESG in our industry continue to evolve, EVERGENT Investments' approach will continue to develop. We seek to work closely with all our stakeholders to provide transparency regarding our approach and adapt it to their needs.

1. Specific strategies to integrate sustainability risks in the investment decision-making processes are based on the following:

Considering environmental, social and governance aspects in the decision-making process			Improving ESG performance of issuers in the portfolio	
This is carried out using a combination of three approaches: integration, screening and thematic investing.			This is carried out by encouraging the companies in which the Fund is already an investor to improve their ESG risk management or develop more sustainable business practices.	
Integration	Screening	Thematic investing	Involvement	Vote exercise
The explicit and systematic inclusion of ESG aspects in investment analysis and decision-making, in order to better manage risks and improve returns (investment due diligence).	Applying filters to potential investment lists to exclude those companies that do not align with the Fund's values and ethical principles.	Pursuing investment opportunities in companies that generate high returns in sectors that support sustainable development.	Monitoring ESG characteristics of issuers and interactions with the companies in the Fund's portfolio on topics aimed at improving and increasing the transparency of both their business strategy and their environmental, social and governance aspects (either individually or in collaboration with other investors).	Vote exercise – official cast of votes in favour of proposals concerning ESG factors that promote responsible corporate activity and enhance the company's long-term value, as well as in favour of proposals that increase the transparency of ESG policies.

1.1. Taking into consideration environment, social and governance aspects in the decision-making process

Integration - When assessing the risks associated with any investment opportunity, we conduct in-depth analyses and focus on several factors. Our investment methodology is based on a disciplined internal process for analysing and selecting issuers and instruments, leveraging the expertise and experience of our investment teams.

ESG considerations will become an important part of our due diligence as we seek to identify sustainability risks that may affect an issuer's reputation and financial position, and, consequently, their valuation. We therefore believe that issuers' adherence to strong ESG practices can help minimize financial risks, such as customer loss triggered by controversies, fines, penalties, and environmental remediation costs, etc.

To integrate ESG analysis across different asset classes, we will monitor data from third-party providers as well as data made available by issuers—a preliminary step in our process. Where such data is not publicly available, we may use our own questionnaires directed to the issuer's management regarding the sustainability risks to which they are or may be exposed.

Relevant ESG risks and third-party ESG risk assessments, as applicable and available, will be analysed in the investment rationale notes. Special attention will be given to situations where an issuer's risks are significantly higher than the industry average, as these may result in lower risk-adjusted returns.

All these efforts will serve our own analyses of issuers' sustainability risks and their impact on our investment portfolio.

Screening – We have a formalized exclusion list targeting sectors in which investments are not permitted, regardless of a company's financial performance. The exclusion list is based on the recommendations of IFC and EBRD standards in the field and will be updated periodically.

Thematic investments – we intend to closely monitor sectors with a high impact on the sustainable development of the economy at both national and global levels, from which we will select those that can provide us with an appropriate risk/return profile for investment.

1.2. Improvement of ESG performance of issuers in the portfolio

Involvement - Once an investment is made, the portfolio management departments monitor all material elements that could affect the investment or the company, including sustainability factors.

Considering that active engagement with company management is key to managing investment risk, EVERGENT Investments values and actively supports the solid integration of sustainability principles, including active ownership strategies, in our investment approaches.

The portfolio management departments engage with issuer representatives during the initial due diligence process and as part of the ongoing portfolio monitoring. Continuous dialogue helps raise awareness regarding sustainable business practices.

Vote exercise - The portfolio management departments use a variety of tools, derived from the rights conferred by shareholder status, to ensure that material sustainability aspects are taken into account and that EVERGENT Investments formally expresses approval or disapproval through voting on resolutions and proposing shareholder resolutions on specific ESG matters.

2. The ESG factors that we could take into consideration as part of our qualitative assessment in the investment process include:

ENVIRONMENT – aspects related to environment issues will be identified and assessed in order to determine the impact of issuers on the environment (including air, water, land protection, climate change, biodiversity, waste management and efficient use of resources) and the risk that these problems pose on the issuers' business operations. At the same time, we will assess the potential risks of an issuer that result from its impact on the environment, including payments of penalties imposed by authorities, risk of litigations or future requests for remedy expenses.

For the purpose of determining the sustainability level of an investment from an environmental perspective, an economic activity qualifies as sustainable, according to the principles of the Taxonomy, if the respective economic activity:

- (a) substantially contributes to one or more of the following environmental objectives:
 - climate change mitigation;
 - adaptation to climate change;
 - sustainable use and protection of water and marine resources;
 - transition to a circular economy;
 - pollution prevention and control;
 - protection and restoration of biodiversity and ecosystems.
- (b) does not significantly prejudice any of the environmental objectives set out in item (a)
- (c) implements procedures to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the International Labour Organization Declaration on Fundamental Principles and Rights at Work, as well as those established in the International Bill of Human Rights, and
- (d) complies with the technical screening criteria set by the European Commission in accordance with article 10 line (3), Article 11 line (3), Article 12 line (2), Article 13 line (2), Article 14 line (2), or Article 15 line (2) of EU Regulation 2020/852.

SOCIAL – the way a company manages its relationships with employees, suppliers, clients and the communities in which it operates is important for our investment analysis. We will assess issues related to labour, health and safety of employees, the compliance with labour regulations and general work relations and conditions. At the same time, we will also analyse risks associated with product safety and suitability to ensure that issuers operate sustainable business practices. For the purpose of determining the sustainability level of an investment from the perspective of social and work force aspects, an economic activity is qualified as sustainable, in accordance to Taxonomy principles in case that particular economic activity:

- (a) complies with recognised labour standards;
- (b) abides by employee health and safety;
- (c) sets fair remuneration, proper working conditions, diversity and opportunities for training and development;
- (d) abides by trade union rights and the freedom of assembly (freedom of association);
- (e) ensures adequate product safety, including health protection;
- (f) applies the same requirements to entities within the chain of supply;
- (g) establishes measures to fight against inequality or promote social cohesion / social inclusion for the benefit of financially or socially disadvantaged groups in the population

GOVERNANCE - We will analyse diversity, independence, risk oversight, shareholder rights compliance, and the qualifications of directors and management teams to assess the extent to which companies are prepared to face future risks and act in the best interests of the business, shareholders, and other key stakeholders. Our focus will be on identifying management teams that communicate clearly and consistently regarding ESG factors material to their business.

For the purpose of determining the sustainability level of an investment from a governance point of view, an economic activity qualifies as sustainable, according to the principles of Taxonomy, if the respective economic activity:

- (a) tax honesty practices;
- (b) has implemented measures against corruption;
- (c) the Board of Directors manages sustainability management;
- (d) integrates sustainability criteria into staff remuneration;
- (e) facilitates whistleblowing on illegal activities within the company;
- (f) provides guarantees regarding employee rights;
- (g) provides guarantees regarding data protection;
- (h) ensures operational transparency through adequate information disclosure

3. RESOURCES AND STAFF TRAINING

This is a rapidly growing field, and as such, the investment management departments will seek to adapt their capabilities and practices as the investment community expands its knowledge and deepens its understanding of ESG issues

We aim for the investment management departments to be continuously informed about current and emerging trends in ESG investing and sustainability practices. All our employees receive mandatory training covering a variety of topics, including compliance, ethics, diversity, and corporate responsibility. In addition, we will offer voluntary additional courses to our employees, covering a wide range of ESG-related subjects.

4. SCOPE OF THE POLICY

The scope of this policy includes all assets managed by EVERGENT Investments, including the assets of affiliated companies.

5. CONFLICTS OF INTEREST

EVERGENT Investments is committed to conducting its investment activities in accordance with the highest legal and ethical standards, to promote the interests of our shareholders and in a manner that is consistent with all applicable laws, rules, and regulations. Identifying and managing conflicts of interest are fundamental considerations in all of the Fund's investment activities.

6. INTERACTION WITH OTHER POLICIES AND PROCEDURES

This Policy is interconnected with the following Policies and Procedures EVERGENT Investments:

- Investment Strategy and Policy
- Engagement Policy and Principles for the Exercise of Rights in Portfolio Companies
- Investment Due Diligence Procedure
- Securities Monitoring Due Diligence Procedure
- Pre-investment Verification Procedure

This Policy has been prepared taking into account the Strategy and Investment Policy adopted by the company, considering the nature, volume, and complexity of its activities.

This Policy on integrating sustainability risks into investment decision-making is annexed to the Risk Management Policy of EVERGENT Investments.

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