Aries Investment Management
77 boulevard
Grande-Duchesse Charlotte
L-1331 Luxembourg

ARIES INVESTMENT MANAGEMENT S.A.

Sustainability Risks Policy

(disclosures on sustainability risks and characteristics)

Ref	AIM
Name	**ESG Policy**
Version	1
Effective Date	01/07/2021
Amended Date	-
Approved by	Board of Directors
Next Review Date	Mid 2022
Status	In force

Aries Investment Management
77 boulevard
Grande-Duchesse Charlotte
L-1331 Luxembourg

Table of Contents

I. Introduction

The Sustainable Finance Disclosure Regulation ("SFDR") applies to Financial Market Participant ("FMP") and Financial Advisor ("FA").

FMP include banks and MiFID investment firms providing portfolio management, fund managers (AIFMs, UCITS management companies), institution for occupational retirement provision ("IORPs"), manufacturers of pension products, insurance undertaking which makes available an insurance-based investment products ("IBIPs"), Pan-European personal pension product (PEPP) provider, manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013 and manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013.

FA include banks and MiFID investment firms providing investment advice, AIFMs/UCITS management companies providing investment advice, insurance intermediaries or insurance undertakings providing insurance advice in relation to IBIPs.

This Policy is made in compliance with article 3 of EU Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, the SFDR.

Its objective is to explain how sustainability risks are integrated into investment decision- making and investment advice activities.

In the course of its daily activities and in line with SFDR definitions, Aries Investment Management Luxembourg ("AIM") acts as an FMP when providing Tailor Made Discretionary Management and Managed Funds Portfolio which are part of discretionary portfolio management services, and as an FA when or if providing Financial Advisory and Advisory Portfolio Management.

II. Information on sustainability risks integration in Aries Investment Management

In addition to the traditional risks of investing (market risk, currency risk, interest rate risk, etc.), sustainability risks are becoming increasingly important and should be taken into consideration in any investment.

In this Policy, sustainability risks are defined in more details and it is explained how Aries Investment Management Luxembourg deals with sustainability risks when making investment decisions in the context of discretionary portfolio management solutions (Tailor Made Discretionary management and Managed Funds Portfolio) and when providing investment advice in the context of the following investment advisory solutions: Financial Advisory Account ("FAA") and Advisory Portfolio Management ("APM").

1. What are sustainability risks

A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. Such events may concern inter alia damage from climate change, scarcity of natural resources, pollution, poor working conditions, corruption and/or poor governance.

In addition to the large variety of impacts, the scope of sustainability risks is wide because not only individual companies but entire sectors can be negatively affected by sustainability risks. For example, if a company does not adapt its business model properly to the energy transition or is faced with a physical climate risk such as rising sea levels, this can have negative consequences for the operations and profitability of a company or even endanger the survival of the company and also, from an overall societal vision, have detrimental consequences on environment.

Sustainability factors are often referred to ESG criteria which stands for environmental ("E"), social ("S"), and governance ("G"). ESG events and conditions can be of influence on all types of investments, including, among others, equities, corporate bonds, government bonds, investment funds and derivatives. There is not a single exhaustive list of ESG factors. Those are often interlinked, and it can be challenging to classify an ESG factor as only an environmental, social or governance one.
Though on a broad and general basis ESG factors may be split as such:

- **Environmental** factors related to the conservation of the natural world like carbon emission energy efficiency, waste management, pollution, biodiversity or water scarcity;
- **Social** factors related to consideration of people, relationships and social cohesion: labor standards, relations with workforce and the community, gender and diversity, education, child care.
- **Governance** factors related to best-practices and standards for running a company like board composition and independence, management and audit structure,

remuneration, compliance policy related to bribery and corruption, whistleblower schemes, fiscal practices.

ESG factors represent important information to assess investment risk and opportunities and have an impact on the financial outlook of a company and therefore its value. Integrating these factors results in better-informed investment decisions which could result in higher risk-adjusted returns.

The magnitude of sustainability risks is difficult to quantify. If sustainability risks materialize this is likely to have negative consequences for the value of investments.

For example: Companies active in the mining of thermal coal could be impacted by a (increase of) taxation on carbon by governments, to reduce greenhouse gasses. This could have a negative consequence of market value on these companies.

2. How does Aries Investment Management deal with sustainability risks?

Aries Investment Management aims to follow a top-down investment policy with sustainability considerations.

Aries Investment Management's policies, programs and targets on sustainability-related risks and opportunities aim to encourage sustainable investing, identify sustainability risks and to manage these risks by integrating them in the investment decision making process and investment advice processes.

In addition, Aries Investment Management has established as part as its Investment Committee a Sustainable Investment review. The Investments Committee evaluates and approves the responsible and sustainable investment policies.

III. Aries Investment Management's approach and investment solutions

Aries Investment Management follows the same approach in terms of integration of sustainability risks for both discretionary portfolio management and investment advice. However, AIM differentiate the way in which sustainability risks are integrated into investment decisions and investment advices depending type of investments: direct line investments versus investments through investment funds or Exchange Traded Funds (ETFs).

Aries Investment Management serves many different clients, who all have different needs and interests on both financials and/or on sustainability features. To accommodate these different preferences, the level of integration of ESG factors can differ per investment solution provided by Aries Investment Management Group. The diagram below shows how Aries Investment Management investment solutions differentiate on the integration of ESG factors between its investment's solutions.

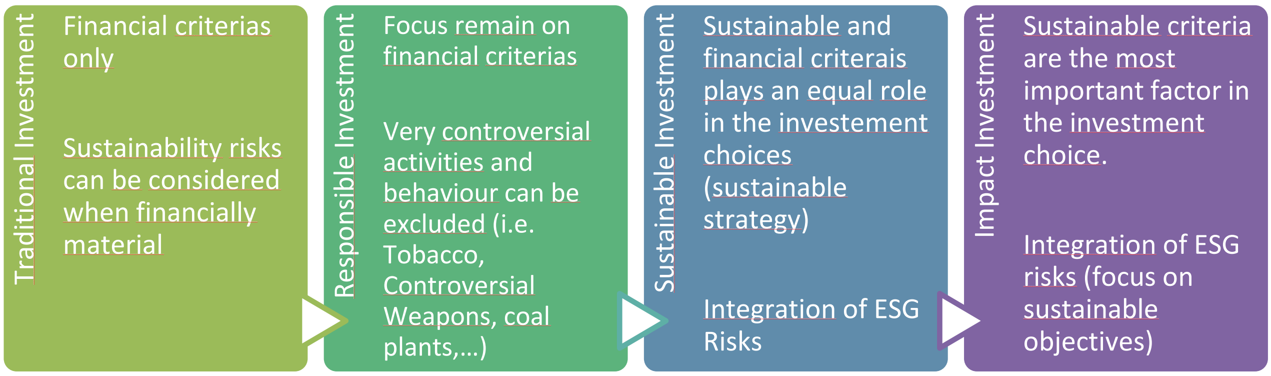

Figure 1: Aries Investment Management

Considering ESG factors and risks as described above, as of today, Aries Investment Management Luxembourg offers Traditional investments for discretionary and RTO / advisory mandates.

IV. Discretionary portfolio management and advisory services

Aries Investment Management Luxembourg has its own responsibility when it comes to the integration of sustainability risks within the decision-making process and investment advice.

Within discretionary portfolio management and when providing investment advice, AIM selects direct investments, such as equities and bonds (government and corporate bonds) and /or investment funds.

1. Direct investments

1.1. Investments in equities and corporate bonds

For direct investments in equities and corporate bonds, AIM applies the following methods to integrate and mitigate sustainability risks.

<u>Exclusions</u>

AIM excludes companies with a negative exposure to the below mentioned sustainability factors. These companies run the risk of becoming stranded assets or have a business model that AIM considers to be unsustainable.

AIM excludes investment decisions and investment advices into the following companies:

- Producers of cluster munitions, manufacturers of controversial weapons, tobacco producers and companies that generate electricity through coal power plants or that are involved in the mining of coal;
- Companies that seriously violate United Nations guidelines for multinational corporations. These guidelines are covered in the ten principles of the United Nations Global Compact and cover human rights, the environment, labor, and anti-corruption.
- Companies that demonstrate controversial behavior according to the standards of research agency as available through its Bloomberg license or other data Vendors providing high-quality, analytical ESG research, ratings and data to institutional investors and companies.

<u>Assessing non-financial information</u>

To integrate sustainability risks in the decision-making and investment advice processes, Aries Investment Management looks beyond the financial data of the companies by also assessing the company's sustainability policy. Companies that do not have a sustainability policy are considered more exposed to sustainability risks.

1.2. Other products (government bonds, derivatives, structured notes)

AIM limits its investment decision / advice to bonds of OECD countries.

In principle, for structured notes AIM applies the same exclusion lists as for direct lines. The structured notes are nevertheless limited in our portfolio.

Derivatives can be an important factor in portfolio risk management. The disadvantages of derivatives are the lack of transparency regarding their products, their dependence on third parties and the conflicting positions that may be taken. For these reasons, we prefer to restrict the use of derivatives to a minimum.

2. Investment funds

AIM is acting an Investment Manager for UCITs Funds.

For each individual (Sub-) Fund sustainability risks can be considered in both their investment philosophy as well as in their selection of individual financial instruments. Every investment fund should have its own policy in that respect. More information on the sustainability risk integration process at the level of the investment fund can be found in the investment fund's own policy, which forms part of this Policy as an appendix

When AIM selects investment funds, it distinguishes between regular investment funds, i.e. investment funds that do not specifically focus on ESG-characteristics or that do not have a sustainable objective, and sustainable investment funds (investment fund promoting ESG characteristics among others, or has sustainable investment as its objective). Investment funds which do not integrate any kind of sustainability- considerations (such as ESG characteristics or a sustainable objective) into its investment process are not eligible to be included in the universe of sustainable investment funds.

For some of its investments funds, AIM does not currently take sustainability risks into account.

For the selection of sustainable investment funds, sustainability risks have a prominent role. An exhaustive screening on the sustainability criteria is applied.

1. **Quantitative assessment (collection of information)**, i.e. a numerical assessment of a wide range of factors.
   For this purpose, the Aries Investment Management gather data from its data suppliers and assess it in respect to ESG factors.

2. **Qualitative assessment**. For this, the Aries Investment Management engages in

discussions toward its sustainable investment universe in order to form an overall impression of the role that sustainability plays in the target investment.

Exclusions

In addition, for sustainable investment funds, the following exclusions apply:

- Investment funds with underlying investments that do not fit the Aries Investment Management's sustainable universe such as producers of controversial weapons and cluster munition for purchase;
- Mention of the fund or the underlying investments on the European sanction list. This is a consolidated list of countries and companies, engaged in or suspected of money laundering or terrorism financing activities.;
- Investment funds that invest in companies that demonstrate controversial behavior according to the standards of the main research agencies available through our Bloomberg infrastructure or other data vendors providing high-quality, analytical ESG research, ratings and data to institutional investors and companies.

  For its sustainable investment fund universe, Aries Investment Management does not select investment funds which invest in companies that exhibit seriously controversial behavior (i.e. behaviors included in different exclusion lists applicable by AIM). When a company in a portfolio becomes entangled in serious controversy, we will contact the asset manager.

Integration of sustainability factors in Line with the SFDR

Following the publication of the SFDR Draft regulatory technical standard (RTS) financial materiality of the investment remain the predominant metrics while including environment or social characteristics or a combination. The RTS imply sound good governance practices by the targeted investment.

As described above AIM takes in consideration the clients needs and the company philosophy toward sustainable investments that act in a sustainable way toward the environment, society and all its stakeholders are likely to be more able to deal with a variety of issues in the future of their business or endeavors.

Altogether, AIM distinguishes three kinds of ESG strategies: Responsible Investment, sustainability focused strategies and impact strategies.

- Responsible Investment strategies use ESG information to improve investment decisions. It is focused on the integration of risks and opportunities in the selection process with the goal of improving corporate behavior and long-term investment returns. This is an exclusion list-based strategy.
- Sustainability focused strategies build from the same basis as the ESG-integrated strategies but add an ex-ante focus on stocks that score better on ESG and environmental footprints than the
- benchmark. These funds are meant for investors that either believe that good ESG performance and a lower environmental footprint will lead to better performance (in the long run) or want to apply a reputational or values perspective in their investment portfolios. This strategy will be in line with Article 8 of the SFDR.
- Impact strategies invest in companies helping solve problems related to specific sustainability themes, or to the achievement of one or more of the SDGs. They differ from sustainability focused strategies in that they contain biases towards certain sectors or industries that have more exposure to sustainable development. These strategies are meant for investors wanting to make a positive impact on society, and/or those who want to have a clear exposure to certain sustainable development areas, and who believe that in doing so they can generate appropriate investment returns. This strategy will be in line with Article 9 of the SFDR.

In this chapter we describe how we apply the sustainability research in our investment strategies to make sure we identify and manage long-term risks and opportunities.

Quantitative and qualitative Metrics for AIM sustainable strategies

First, AIM applies a top-down approach for defining the appropriate universe of eligible assets.

Secondly, depending on the asset class AIM is assessing and approaching the following selection criteria:

ll sustainable equity strategies integrate ESG at different stages of the investment process. We use sustainability performance rankings to focus our fundamental analysis on companies that have demonstrated superior sustainability performance compared to their peers. We then analyze the impact of financially material ESG factors to a company's competitive position and value drivers. We believe that this enhances our ability to understand existing and potential risks and opportunities of a company. If ESG risks and opportunities are significant, the ESG analysis could impact a stock's fair value and the portfolio allocation decision. Throughout the investment process, we strive for a low environmental impact, as measured by GHG emissions, energy consumption, water use and waste generation.

It is also to be noted that most of our research providers are upgrading their recommendations and analysis toward ESG related thematics, as the data availability grows, our capacities will follow.

For fixed income strategies ESG factors play an important role in the investment process, including climate related risks, both in country analysis and credit analysis. We deem it essential for a well-informed investment decision to consider those ESG factors that have the potential to materially impact the financial performance of the issuer, including risks stemming from climate change. This perfectly matches the basic need to avoid the losers in credit management, as many credit events in the past can be attributed to issues such as poorly designed governance frameworks, environmental issues, or weak health & safety standards.

For UCI's selection, Sustainable related Strategies shall focus on Article 8 and 9 of the SFDR.
Impact Strategies shall focus on Article 9 of the SFDR.
Our data providers as well as the UCI's distributor display the SFDR article of each targeted UCI's.

Environmental, Social and Governance (ESG) factors are systematically integrated in the investment process, by using the ESG scores from The ESG integration aims for a total ESG score or "purity score" of the portfolio higher than the index.

Our fundamental and quantitative research already addresses certain aspects of the Environmental impact risks, but the quality of climate-related data available remain key, as more companies report and data providers improve their offerings, we continually improve the insights we gain from such data.

V. Appendix : LEVEL TWO INVESTMENTS – ARIES ESG DYNAMIC ALLOCATION FUND

The Sub-Fund aims at selecting ESG labelled UCI's which integrate sustainability risks into their investment decisions linked in part or in full to one or more of these topics:

- Climate change mitigation,
- Climate change adaptation,
- The sustainable use and protection of water and marine resources,
- The transition to a circular economy,
- Pollution prevention and control,
- The protection and restoration of biodiversity and ecosystems.

At least 75% of the UCIs will have as their investment objective the promotion of environmental and social characteristics (Article 8 SFDR) or have a sustainable investment objective (Article 9 SFDR).

The screening of the UCI's universe with the help of a combination of external data providers and ETF mapping tools as well as internal tools such as exclusion lists, and determination of ESG trend leaders in order identify and assess the eligible ESG investment vehicles primarily ESG denominated UCI's will take place.

The Sub-Fund will not invest in swap based or synthetic replication UCIs.

The marginal equity investment (up to 30% of the fund NAV) the following is performed:

- positive ESG filtering will be done by accessing ESG databases through our partnership with companies like Quantilia the Investment Management team is accessing various high-quality sources such as VIGEO (a moody's subsidiary) allowing filtering , look through and exclusion list checks in order to assess ex ante wether the targeted assest are aligned with the ESG goal ex post controls are also in place to further mitigate the strategy "purity" level around the ESG thematic. This can be described as a top down approach where the Investment manager restrict its investment universe to a pool of assets compatible with the ESG theme of the compartment by using ESG data provided by best in class sources in order to ensure pre trade and post trade that the composition of the compartment is always aligned with the ESG aim.

- Where ESG information is not publicly available yet (because ESG data is still scarce), the Investment Manager will only invest in Equities in the area of energy transition instruments (such as green energies, renewables, circular economy players or other clearly defined ESG themes) based on a qualitative assessment by the Investment Manager which will be documented.

The Investment Manager makes use of third-party data providers such as VIGEO, Société Générale, Quantilla and Bloomberg data to filter the UCI universe to ESG labelled UCIs/UCITS or provide ESG research on a company's involvement in products and services and revenue analysis related to ESG sectors as well as ESG scores. Part of the costs associated with these third-party data providers are borne by the Sub-Fund.

In principle, all securities that comply with the above criteria can be invested into by the Sub-Funds. If a security no longer meets the above criteria, the Investment Manager will seek to sell the instrument in the best interest of the shareholders as soon as reasonably possible.