Sustainability Due Diligence Policy

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Introduction

Cantor Fitzgerald Ireland ("CFIL", "the Group") recognises sustainability as an important tool in determining the long-term capital growth prospects of investment propositions. The diverse nature of companies in the Group has brought together more than 30 years' experience in the field of responsible investing. Today, environmental, social and governance (ESG) factors are synonymous with better managed companies and are a path to achieving better risk-adjusted returns.

This document describes how CFIL integrates sustainability risk into investment decisions and advice as well as financing activities. As sustainability risk evolves over time, CFIL will periodically review and update our sustainability risk policy, procedures, and practices.

The Sustainable Development Goals (SDGs)

We use the guidance of the SDGs in many of our processes to understand the interconnected challenges of sustainable development and the urgency behind each goal. The Sustainable Development Goals are a collection of 17 interlinked global goals agreed as an international framework of reference that addresses the most pressing challenges of sustainable development. The SDGs were agreed in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.

Scope

This policy describes our approach to sustainable due diligence at CFIL when undertaken investing, financing, and advisory activities that the Group provides to clients in Ireland and abroad.

Policy Governance

We have a dedicated groupwide ESG Committee responsible for overseeing the implementation of this policy. The committee is composed of members of our compliance and Sustainability and Responsible Investing (SRI) teams. The ESG Committee works in close collaboration with all staff members and teams managing ESG risks and opportunities and reports directly to our Head of Compliance. Our marketing team works with all investment teams and SRI manager in communicating our responsible investment approach and reporting to relevant stakeholders through periodic reporting, conferences/webinars, etc. Compliance with this policy is reviewed annually via internal reporting, monitoring, and client engagement.

Our Core Values

Professionalism: We strive for excellence in everything we do and set high standards for the manner in which we interact with clients and our peers.

Sustainability: We think long-term and challenge ourselves to improve continually our understanding of the interconnections and interdependency among ecological, social, and economic systems.

Integrity: We set and live up to high standards of ethical behaviour and corporate responsibility.

Service: We put our clients at the centre of everything we do and create solutions designed to help them meet their goals and risk needs.

Sustainability Risk Framework (SRF)

This sustainability risk framework (SRF) describes the processes, governance, and responsibilities within Cantor Fitzgerald Ireland ("CFIL", "the Group") to identify, evaluate, and manage the sustainability risks associated with our investing, financing, and advisory activities. Our sustainability risk framework provides us with a structured, credible foundation on which to effectively manage sustainability risks and is embedded into all the activities, processes, and functions of CFIL. It is supported by our Responsible Investment Policy, corporate governance policies and due diligence policies.

Our sustainability policies are available on our website and contribute to the consistent implementation of EU regulation on sustainability-related disclosures in the financial sector. Our corporate governance policies, such as our code of conduct, anti-bribery and corruption policy, anti-money laundering policy and whistleblowing policy, as well as our due diligence policies supporting the SRF are available internally on the intranet.

All our sustainability policies are approved by the Policy Committee. We undertake a policy review annually and any proposed changes are presented to the Policy Committee or a subcommittee of same for their approval.

Sustainability Risk: Products and Services

Our approach to responsible investment seeks to reduce risk, create value for investors and support companies that make a positive contribution to the world. Areas of CFIL covered by this framework are:

- Investment management activities
- Wealth management and advisory services
- Corporate finance

Clients in our fixed income and equity trading and brokerage activities make their own investment decisions and therefore fall outside the scope of our sustainability policies.

Examples of the Environmental, Social and Governance (ESG) factors that are considered by this sustainability risk framework are:

- Environmental risks
    - Climate change and fossil fuels exposure
    - Greenhouse gas emissions
    - Energy performance
    - Biodiversity
    - Water
    - Pollution and waste
- Social risks
    - Human rights
    - Child labour – supply chain and own operations
    - Forced labour – supply chain and own operations
    - Controversial weapons – land mines and cluster bombs
- Governance risks
    - Fraud and bribery
    - Composition of board of directors (diversity and independence)

Identifying and Prioritising Sustainability Impacts

CFIL's due diligence in how it manages environmental and social risks is based on the PDCA cycle (Plan, Do, Check and Act) for problem solving and continuous improvement. Each step utilises tools and information that are collected routinely and reported internally to our ESG Committee for monitoring and review. Our process ensures that we systematically conduct checks and reviews of how our strategies are impacting the world.

Sustainability Impacts in Investment Decisions

We subscribe to third party ESG research and use our own in-house ESG scoring system to identify leaders and laggards in ESG. In addition, we use a number of investment styles that allow us to meet investor needs while ensuring we remain cognisant of the sustainability impacts of investment decisions. These includes:

- ***Negative screening***: Is based on the principle of *Do No Harm* and takes steps to mitigate potential negative effects of investment decisions on people and the environment. Criteria includes human rights violations, child labour, and companies in specific sectors like coal or tobacco. All our ethical mandates apply a negative screening before comprehensive fundamental company analysis is conducted. The extent of the exclusions varies according to client preferences.
- ***Positive screening***: Investment is encouraged in companies that are enabling or driving the shift towards sustainable business practices, such as those reducing the use of plastics, improving energy efficiency, etc. We use revenue-based criteria and other data points to identify companies offering sustainable impact solutions.
- ***ESG integration***: This investment style looks at the whole investment universe and integrates material ESG factors alongside financial analysis to improve risk management and decision-making. All our funds have integrated ESG factors at the security selection and review levels. Companies are then monitored on a systematic and ongoing basis, including daily monitoring of controversies and material ESG events.

- ***Positive impact investing***: Follows a three-pillar approach:
  (1) The *intentionality* of addressing an environmental or social challenge using the guidance of the UN Sustainable Development Goals
  (2) *Additionality* which ensures additional social or environmental value that would have not been created without the investment
  (3) *Measurement* which consists of measuring and reporting on the social and environmental impact of the strategy.
  We use impact investing strategies extensively in our advisory services and discretionary mandates.

CFIL In-house ESG Scoring System

As part of our ESG integration process, we use our own ESG scoring methodology which reviews securities from a variety of different perspectives, from key sustainability metrics that provide a broad understanding of a company's ESG performance, to more sector specific and granular ESG data points. Our due diligence policy on the integration of ESG factors (available on the intranet) provides full details of this process.

Investment managers and their investment teams have primary responsibility for the integration of sustainability factors into the investment process. The Sustainability and Responsible Investing (SRI) team support the investment teams with queries regarding the screen.

Sustainability Impacts in Project Finance

For project finance, our due diligence process starts with a sector-based assessment of the ESG risks and opportunities to which a company is exposed in its sector. We assess the environmental and social policies of the company and any adherence to quality standards for managing sustainability risks. If any ESG risks are identified, the team should consult the SRI team for advice before the project is presented to our Product Approval Committee.

The company's products and services are then mapped against the Sustainable Development Goals (SDGs) and a positive impact score is produced. Each positive impact score has different due diligence requirements and ensures our clients are offered products that meet their sustainability preferences.

We acknowledge that not all projects require the same level of due diligence and the resources dedicated to each project are proportionate with the ESG risk profile of the company. For example, companies that have performance standards in place offer greater visibility of the company's sustainability ambition, targets, and performance against those targets. These companies are also required to furnish us with an annual update on sustainability performance, which is generally produced in line with requirements of performance standards. In the absence of a standard supporting the company's approach to managing sustainability risk, a review is initiated internally to determine how best to support the company in such a scenario.

Sustainability Impacts in Wealth Management and Investment Advice

Our due diligence in wealth management and advisory services covers a range of activities, from the selection and appointment of managers to monitoring of same. A clear process setting out how we engage with external managers allows us to understand the manager's approach to assessing how ESG issues affect the performance of the product/fund. If any ESG risks are identified, the SRI team should be consulted for advice before a product is presented to our Product Approval Committee.

Policies relevant to the management of ESG issues are obtained from the managers and kept on file for monitoring against. If available, a manager's ESG rating will be considered, but in the absence of this, our own ESG scoring is used to assess the managers' practices as a responsible business. This may involve direct dialogue and seeking other information that can assist our due diligence and which may not be available publicly.

Our due diligence policy for monitoring managers includes periodic meetings/calls (at least quarterly), performance reviews, and a scale system (from critical to serious, moderate, and stable) for the reporting of incidents to our ESG Committee.

Training

All staff are provided training on sustainability issues, whether it is on our own ESG practices or on general topics of responsible investment. Training sessions are mandatory to all relevant teams while all new staff receive training in our sustainability policy and related initiatives. KPIs on how we deliver training sessions during the year are tracked and reviewed at the end of the year as part of the continuous improvement approach of our Sustainability Risk Framework.

Responsible ownership

We engage in active and constructive dialogue, always acting in the best interest of our clients. We have identified three key areas where we feel we can have most impact:

- ***Through voting*** – we use Institutional Shareholder Services Ltd (ISS), a leading, independent provider of proxy voting advice and administrative services to process proxy voting instructions.
- ***Step-by-step engagement process*** – whether it is with investee companies or external managers, our engagement policies ensure they are held to the highest standards in relation to ESG practices.
- ***Collaboration within the industry in matters of sustainable finance*** – We seek to engage in as many consultation processes as possible on all aspects of sustainable finance, particularly those organised by the European Commission. This ensures our clients are represented in these important forums, but also ensures that effective supportive mechanisms, such as policy and regulation, are in place to enable a smooth and just transition to a more sustainable future. We are founding members of the Sustainable & Responsible Investment Forum (SIF) Ireland, the national platform for policy makers, capital providers and intermediaries to advance the sustainable finance and ESG agenda across all asset classes.

Key Adverse Impacts of Sustainability

We acknowledge our products and services have an impact on the world around us. Understanding the extent of those impacts assists us in implementing strategies that better match our client's sustainability preferences. Below is a list of adverse impacts of sustainability which are closely monitored internally. Exposure to these areas is reported internally to the ESG Committee on an annual basis.

Climate Change

Climate change is the defining issue of our time. Scientific evidence indicates that if left unchecked, climate change will be disastrous and life threatening. The Paris Agreement set an ambitious target to limit the increase in temperature from global warming to well below 2˚C. While policymakers and governments play a key role in achieving this goal, investors are instrumental in driving the global transition to a low carbon future. It is estimated that $120 trillion will need to be invested in the energy transition. This represents a unique investment opportunity across different industries and sectors.

Climate change also presents a challenge to our investments. Both physical impacts as well as the transition risk from a radical change in policy to reduce carbon emissions could result in losses to asset values. Some sectors are more exposed than others and we therefore review exposure to climate risk on a case-by-case basis. Some of the criteria considered include carbon emissions, emissions reduction targets and how long-term business strategy is adapting to a low carbon, increasingly more regulated future. Climate change is a concern for a considerable number of our clients, some of whom have been divesting from fossil fuels assets from as early as 2017.

Human Rights

It is an obligation of governments to protect human rights; however, many countries still don't respect basic human rights, such as freedom of speech, with developing countries found to be most at risk (although not exclusively). Businesses with operations in exposed countries are therefore at risk and are expected to have systems in place to allow them to monitor and prevent any negative involvement in these issues.

For guidance on these issues, we follow the United Nations Guiding Principles on Business and Human Rights and look at companies' exposure to controversies in these areas. Controversies can be structural, which indicate negligence in how the company deals with these issues, or non-structural, which indicate a one-off event.

Labour Rights

As part of our human rights screening, we look closely at issues of labour. Forced labour and child labour still persist in today's global supply chains as they extend to distant regions where controls and labour standards are not upheld.

Discrimination and workforce diversity are further areas of focus in our analysis. Research has shown that companies with non-discriminatory practices that support diversity and inclusion in the workforce have access to better skilled talent, while reducing exposure to reputational risks and legal liability.

Monitoring of Principal Adverse Impacts (PAIs)

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Through our SRI team we undertake a review of the portfolio holdings in all CFIL funds on an annual basis where applicable. This allows us to identify areas of potential PAIs that may require attention.

Examples of sustainability factors reviewed are greenhouse gas emissions and climate risk as well as compliance with UN Global Compact Principles and International Labour Organisation (ILO) Conventions. We use external market research providers and while there remains significant disclosure gaps for some PAIs, we endeavour to review this data through both company-reported data, and data points that are not reliant on company disclosure. Portfolio managers have discretion over the extent to which the results of this due diligence affect portfolio construction.

Adherence to Internationally Recognised Standards

As part of our ongoing work to align ourselves with the rules and spirit of the Sustainable Finance Disclosure Regulation, we are currently reviewing a number of investor-led initiatives and international organisations including the UN Global Compact.

The inclusion of TCFD guidelines in how we report to clients is also currently under consideration as we acknowledge the TCFD recommendations have become the preferred standard for managing and reporting climate-related risks and opportunities.