SUSTAINABILITY DUE DILIGENCE POLICY

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1. Introduction

1.0 Definitions

Climate risk: Business risks associated with climate change, including regulatory developments relating to the transition to a low carbon economy, growing natural resource scarcity and potential reputational damage, as well as the direct impacts of climate change on the environment.
DD Policy or Policy: Due Diligence Policy
ESG: Terminology used in investing that sets specific criteria for assessing how companies address environmental, Social and Governance risks and opportunities.
FSB: Financial Stability Board.
The Group: Cantor Fitzgerald Ireland Group.
ISS: Institutional Shareholder Services Ltd.
CFAME: Cantor Fitzgerald Asset Management Europe.
PAIs: Principal Adverse Impacts.
RI Policy: Responsible Investment Policy.
SFDR: Sustainable Finance Disclosure Regulation (2019/2088/EU).
Sustainability: Ability to maintain a balance of healthy environmental, social, and economic systems.
Sustainable Development: Economic growth that happens without the depletion of natural resources while meeting human development goals.
SRF: Sustainability Risk Framework.
SRI Team: The Sustainability and Responsible Investing team.
Task Force on Climate-Related Financial Disclosures (TCFD): An industry-led task force, established by the FSB, charged with helping to identify information required by investors, lenders, and insurance underwriters to understand material risks in relation to climate change.

1.1 Overview and Objectives

This Policy is in alignment with the SFDR and summarises the "how-to" of our responsible investing approach, which is based on our Sustainability Risk Framework (SRF). The SRF is designed to manage and monitoring sustainability risks as well as identify and prioritise PAI of investment decisions. With this Policy, we provide information on how we manage PAIs, how we engage with companies and the extent to which we integrate internationally recognised standards for responsible business practices. Through this Policy we support the transparency and consistency of disclosure practices advocated in the SFDR.

1.2 Scope

This Policy complements our Responsible Investment Policy and describes our approach to due diligence of sustainability factors in the investment process.

2.0 MAIN BODY

2.1 Policy Governance

Compliance with this policy is reviewed annually via internal reporting, monitoring, and stakeholder engagement. The outcomes of this review are presented to the board on an annual basis. The Cantor Fitzgerald Ireland Group ("The Group") ESG Steering Committee provides feedback on the implementation of this policy and includes members of our executive team, compliance, senior managers, and specialists in sustainable investing across the Group. The Group's Sustainability and Responsible Investing (SRI) team works in close collaboration with our investment team in managing ESG risks and opportunities. Our marketing team works communicating our responsible investment approach and reporting to relevant stakeholders through periodic reporting, conferences/webinars, etc.

2.2 Sustainability Risk Framework (SRF)

Our SRF is the foundation on which our due diligence of sustainability risks and impacts on sustainability factors is built. It describes the processes, governance, and responsibilities within CFAME to identify, evaluate, and manage the sustainability risks and impacts associated with our investment decision. Although our approach may differ according to specific fund mandates, our SRF allows us to monitor sustainability data as a means to manage risk-taking while remaining cognisant of the impact our investment decisions have on the world. The SRF is supported by our Responsible Investment-related policies and corporate governance policies, and it is an integral part of the Firm's Risk Management Framework.

Our responsible investment, engagement and good corporate governance policies are available on our website. Other policies, such as our code of conduct, anti-bribery and corruption policy, anti-money laundering policy, diversity and inclusion, and whistleblowing policy, and any other policies supporting the SRF are available internally on the intranet.

We undertake a policy review annually, or more frequently if required.

2.2.1 Internal Control Framework

CFAME follows a three-line of defence approach to support the implementation and oversight of sustainability risks and impacts from our investment activities. The first line of defence is enforced by our investment team, middle office, client services and operations as well as our sales and marketing team.

We have integrated sustainability considerations into our processes and procedures to inform the selection of investments. We use our own ESG scoring methodology to help us identify companies that are most exposed to severe risks of ESG and their impacts on sustainability factors. Please see our Responsible Investment Policy for details of our ESG Scoring Methodology. Our first line of defence utilise the scores to identify opportunities and minimise risk while ensuring internal controls are operating effectively. Our first line of defence is supported by the Group's SRI Team in managing ESG issues arising from our investment activities and reporting of same to our second line of defence.

Our risk and compliance functions are our second line of defence. The second line provides independent review and challenge of the First Line's management of sustainability risks and associated duties and responsibilities. Our compliance team reviews all client-facing material and monitors our alignment with regulatory requirements, including those supporting the implementation of the EU Action Plan on Financing Sustainable Growth.

Lastly, our third line of defence is enforced by our internal audit function and provides assurance to the Board and senior management on how effectively CFAME assess and manages sustainability risks.

2.3 Sustainability Risks and Impacts

Our approach to responsible investment seeks to reduce risk and create value for investors while offering strategies that support companies making a positive contribution to the world. Examples of the 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
    - Data protection and privacy
    - Human rights
    - Child labour
    - Labour management
    - Controversial weapons – land mines and cluster bombs
- Governance risks
    - Fraud and bribery
    - Diversity of board of directors
    - Audit and board committee structure

2.4 Identifying and Prioritising Sustainability Risks and Impacts

CFAME's due diligence in how it manages sustainability risks and impacts 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 for monitoring and review. Our process ensures that we systematically conduct checks and reviews of how our strategies are impacting the world.

We subscribe to third party ESG research to identify leaders and laggards in ESG. Our inhouse ESG scoring methodology ensures ESG risks and opportunities as well as PAIs are highlighted at the security selection level. Although the majority of CFAME funds follow specific ESG guidelines for the alignment with Article 8 products, some strategies may not consider sustainability considerations to the same extent due to the nature of the strategy.

2.4.1 Promotion of Environmental and Social Characteristics

We use a number of investment styles that allow us to meet investors' needs while ensuring we remain cognisant of the sustainability impacts of investment decisions. These includes:

- *Negative screening*: All our Article 8 funds apply a negative screening before comprehensive fundamental company analysis is conducted. The extent of the exclusions varies according to fund strategy. Criteria include UN Global Compact principles, human rights violations, child labour, and companies involved in specific economic activities such as coal or tobacco.
- *Positive screening*: Through our scoring methodology, investment is encouraged in companies that are enabling or driving the shift towards sustainable business practices, such as those reducing greenhouse gas emissions, and so on. 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 financially material ESG factors alongside financial analysis to improve risk management and decision-making. Companies are then monitored on a systematic and ongoing basis, including monthly monitoring of controversies and material ESG events.

We follow a detailed process that allows us to understand and monitor how ESG objectives are achieved before making an investment decision. Any Funds aligned with Article 8considerations under the SFDR have their own separate sections on the website explaining how they promote better environmental and social practices.

2.4.2 Engagement

Engagement with companies is an important tool when dealing with sustainability risks and adverse impacts of sustainability. We engage in active and constructive dialogue, when possible, always acting in the best interest of investors. We have identified three key areas where we feel we can have most impact:

- *Through voting* – CFAME endeavours to vote on all eligible stock at every meeting. We have engaged Institutional Shareholder Services Ltd (ISS), a leading, independent provider of proxy voting advice and administrative services to assist us in this regard. ISS provide voting recommendations to CFAME, based on a pre-agreed set of policy guidelines (reviewed annually). We currently use the ISS "Sustainability" voting guidelines, developed specifically to meet the standards consistent with the United Nations Principles for Responsible Investment (UNPRI).
- *Step-by-step engagement process* – We use Institutional Shareholder Services (ISS) ESG's Norm-Based Engagement solution which allows us to participate in join outreach and dialogue with companies on material sustainability-related themes. We have implemented a set of minimum safeguards that all companies must meet. Investee companies that are in breach of our norms-based responsible investing criteria in the areas of governance, human rights, the environment, labour rights, and bribery and corruption will enter our engagement programme. Engagement will include reaching out to the company, reviewing the response received, and making a decision of neutrality/divestment based on the adequacy of actions taken by the company to combat the breach in our norms-based responsible investing criteria. Some companies may be quick to respond while others will follow an escalation process. In the latter case, every effort is made to engage with the investor relations team, followed by the executive team and lastly the Board. This process will last up to a year when the feasibility of the engagement is re-evaluated.
- *Collaboration within the industry in matters of sustainable finance* – Through the Group's Sustainability and Responsible Investing Team, we seek to engage in consultation processes as possible on all aspects of sustainable finance, particularly those organised by the European

Commission. This ensures our investors 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 also may collaborate with other institutional investors to engage with companies when we consider that doing so is likely to advance investor's interests.

A more detailed explanation of the CFAME engagement policy is available here.

2.5 Principal Adverse Impacts (PAIs) of Sustainability

We acknowledge our products and services can have adverse impacts on the world around us. Understanding the extent of those impacts allows us to take steps to mitigate and manage them. The most significant adverse impacts are referred to as PAIs. CFAME consider all 18 mandatory PAI indicators in investment decision through its ESG scoring methodology in line with the SFDR requirements. Below are a number of adverse impacts of sustainability which are critical to our ESG scoring methodology and are therefore closely monitored.

2.5.1 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 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, energy efficiency, renewable energy emissions reduction targets and how long-term business strategy is adapting to a low carbon, increasingly regulated future.

2.5.2 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.

2.5.3 Labour Rights

Another key adverse impact of sustainability is 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. We acknowledge that the availability and quality of data in these areas remains an issue, and we remain vigilant of developments of additional sources that can allow us to obtain a more complete assessment.

2.5.4 Anti-Corruption and Anti-Bribery

Bribery and corruption are a criminal offence in most countries. They negatively impact society and can have serious consequences for companies operating in countries where law enforcement is weak. The World Bank estimates that 0.5% of GDP is lost to corruption each year. Cantor Fitzgerald Asset Management Europe have zero tolerance towards corrupt or illegal practices and utilise criteria that allow the managers assess a company's and/or country's practices to prevent and combat corruption.

2.6 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. We undertake a review of all direct holdings in our funds quarterly in order to assess our exposure to PAIs and prepare the corresponding annual reporting of mandatory indicators. We acknowledge that relevant and accurate ESG data required for PAIs reporting remains a challenge for ESG data providers, and we endeavour to deploy a best-effort approach in our reporting of same.

Examples of sustainability factors reviewed are greenhouse gas (GHG) emissions, GHG intensity (and other indicators as part of our climate risk analysis), and climate risk, board gender diversity, 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.

Our internal ESG scoring methodology takes account of PAIs before an investment is made, as they are considered material factors to long-term value creation and risk management. Investment in companies with a low score have a higher investment threshold in all of our funds.

2.7 Training

All staff are provided training on sustainability issues, whether it is on our own ESG practices or applicable EU regulation on sustainable finance. Training sessions are mandatory to all relevant teams while all new staff receive training in the Group's sustainability programme. 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.

2.8 Adherence to Internationally Recognised Standards

Cantor Fitzgerald Asset Management Europe form part of the Cantor Fitzgerald Ireland Group who have adopted the TCFD recommendations as the preferred standard for managing and reporting climate-related risks and opportunities. In addition to disclosure requirements, the TCFD guidelines cover aspects of governance, strategy, risk management and metrics and targets related to climate risks. Transparency regarding climate-related risks and opportunities is crucial as it enables better communication of these topics with stakeholders while allowing investors a better understanding of the implications of climate change.