SUSTAINABILITY DUE DILIGENCE POLICY

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1. INTRODUCTION

1.0 Definitions

CFIL: Cantor Fitzgerald Ireland Ltd.
Climate-related 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.
ISS: Institutional Shareholder Services Ltd.
PAIs: Principal Adverse Impacts.
SR Policy: Sustainability Risk 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: The Sustainability Risk Framework is the foundation of the Firm's overall sustainability & climate risk strategy. It includes both sustainability risks from our investment activities and our operations, whilst creating processes and procedures for the effective management of same.
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 CFIL Sustainability Risk Framework. In the context of our investment activities, the SRF is designed to identify and manage sustainability risks from investment decisions as well as identify and prioritise PAI at product level (where relevant).

This Policy also describes CFIL's decision in respect of the requirements of article 4 (1) SFDR regarding the consideration of PAIs of investment decisions on sustainability factors. See section 2.5 in this policy for details of this "comply or explain" requirement under the SFDR. Through this Policy we support the transparency and consistency of disclosure practices advocated in the SFDR.

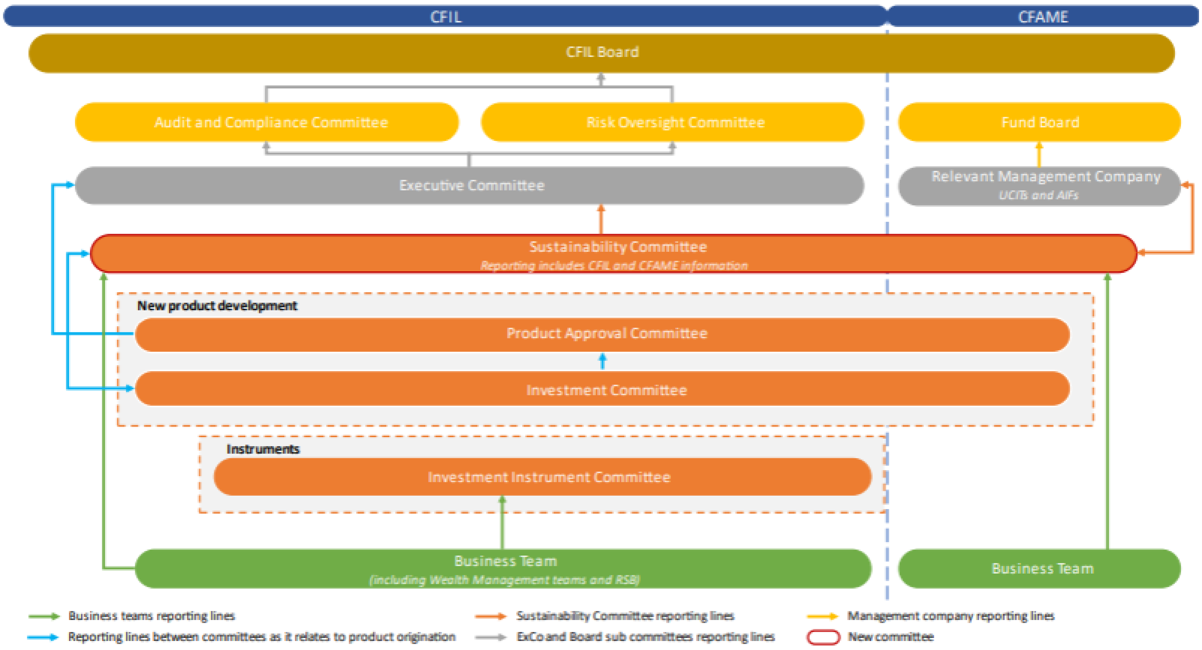
1.2 Scope

This Policy complements our Sustainability Risk Policy and describes our approach to due diligence of sustainability factors during discretionary and advisory activities as well as product origination. Where clients of our fixed income and equity trading and brokerage activities make their own investment decisions (execution-only), they fall outside the scope of our sustainability policies.

2.0 MAIN BODY

2.1 Key Roles and Responsibilities

Our Sustainability Governance Policy describes the roles and responsibilities of the different governance committees as they relate to sustainability and the governance framework for compliance with key regulatory requirements and guidelines and expectations related to sustainability.



2.1.2 The Cantor Fitzgerald Ireland Board

The CFIL Board is ultimately responsible for the overall governance and oversight over sustainability-related regulatory compliance, and climate related risks & opportunities.

2.1.2 The Audit and Compliance Committee (ACC)

The ACC oversees the regulatory compliance matters relating to the EU and Irish sustainability and climate regulation, while monitoring the effectiveness and adequacy of related key internal controls.

2.1.3 The Executive Committee (ExCo)

The ExCo oversees compliance with sustainability-related regulation and advise other Board committees on the Firm's appetite and tolerance.

2.1.4 The Sustainability Committee (SC)

The SC is a subcommittee of the ExCo. It provides feedback on the implementation of this policy via KPIs in line with performance metrics set and KRIs in line with the Firm's Risk Appetite Statement. The SC provides governance and oversight of the first line controls and processes, while advising the other committees of the Board on all matters related to sustainability.

2.1.5 The Product Approval Committee (PAC) and Investment Committee (IC)

The PAC and the IC review the investment case for potential products, including the inclusion of sustainability factors within the investment product and prior to product approval.

2.1.6 The Investment Instrument Committee (IIC)

The ICC evaluates various key risk indicators for the various investment instruments held within our clients' portfolios. Sustainability risks are monitored as part of the Committee's mandate as well as the levels of sustainable investment and taxonomy-aligned instruments made available to clients with sustainability preferences. The IIC performs an ongoing monitoring role over clients' sustainability risks, notwithstanding that in our advisory services, the client has ultimate control over the investment decision.

2.1.7 The Chief Financial Officer (CFO)

The CFO is the Chair of the Sustainability Committee. The CFO ensures the Committee operates within the Terms of Reference and produces appropriate reporting package to the relevant Committees/Board.

2.1.8 The Chief Risk Officer (CRO)

The CRO is responsible for the oversight and challenge of the creation and design of the Firm's Sustainability and Climate Risk Appetite, whilst ensuring alignment with business strategy. The CRO is responsible for monitoring financial risks from climate change with stress scenario testing/modelling support from the CIO function. Lastly, the CRO reviews and challenges the risk assessments within individual business lines to ensure sustainability and climate-related risks are incorporated into their own Risk Control Self-Assessments (RCSAs).

2.1.8 The Chief Investment Officer (CIO)

The CIO is a member of the SC and is responsible for the investment operations of the Firm. The CIO has been assigned PR24 (Responsibility for managing financial risks from climate change) and is responsible for the oversight and process for addressing climate-related risks and opportunities across the Firm. The CIO ensures our segregated discretionary accounts are managed in line with their respective investment objectives and sustainability parameters.

2.1.9 The Chief Operating Officer (COO)

The COO is responsible for the development, operation and improvement of the systems and technology necessary to deliver on the objectives of this policy. In addition, the COO oversees the implementation of programmes and activities to generate a culture of awareness of climate-related risks and opportunities within the Firm.

2.1.10 The Head of Sustainability (HoS)

The HoS supports all business lines in the integration of sustainability considerations into investment activities and own operations (based on the Firm's SRF) and works in close collaboration with the CIO in ensuring sound and effective management of climate-related risks and opportunities. The HoS is the Secretariat of the SC.

2.1.11 Head of Retail Sales (HoRS)

The HoRS is the owner of the first line controls of the suitability policy, including the collection, integration, monitoring and reporting over clients' sustainability preferences (note that in our advisory services, the client has ultimate control over the investment decision). The HoRS is responsible for the supervision and training of First Line retail sales staff.

2.1.12 Head of Trading (HoT)

The HoT provides oversight to capital at risk levels for various investment instruments. The HoT also monitors sustainability risks and levels of sustainable investment and taxonomy-aligned instruments made available to clients with sustainability preferences as part of the Investment Instrument Meeting.

2.1.13 Compliance

The Firm's compliance function reviews regulatory compliance and horizon scanning, monitoring and analysing emerging regulatory developments that could impact our operations. This involves keeping up to date with upcoming legislation, regulatory changes, and analysing risk exposure and potential impact on the Firm's compliance obligations.

2.1.14 First Line Assurance (FLA)

The FLA performs monitoring within the first line on the suitability process, including clients' sustainability preferences, whilst raising issues of non-compliance with the second line of defence (more on the three lines of defence in section 2.2.1). The FLA is also responsible for training staff on the inclusion of sustainability preferences in the suitability assessment process.

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 CFIL to identify, evaluate, and manage the sustainability risks and impacts associated with our investing, and advisory activities as well as product distribution. 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 Cantor Risk Management Framework and our sustainability and corporate governance policies.

Our sustainability policies are available on our website. Our corporate governance 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. All our sustainability policies are approved by the Board. We undertake a policy review annually, or more frequently if required. Any proposed changes are presented to the Executive Committee for their approval.

2.2.1 Internal Control Framework

CFIL 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 Committee, Product Approval Committee, Investment Instrument Committee, our First Line Assurance and investment teams, financial advisors, and brokers.

We have integrated sustainability considerations where appropriate into our processes and procedures to inform the selection of investments and corresponding monitoring, and to ensure clients are appropriately informed of the attributes of ESG products according to the client's sustainability preferences. The identification and consideration of sustainability indicators will depend on the investment strategy, asset class and specific portfolio objectives. Our first line of defence has responsibility for managing and prioritising sustainability indicators relevant to the fund/portfolio and ensuring the controls are operating effectively. Our first line of defence is supported by the expertise of the Sustainability Team in managing ESG issues arising from our investment activities and reporting of same to our Sustainability Committee and second line of defence as part of our sustainability governance framework.

Our risk and compliance function are our second line of defence. The second line provides independent review and challenge of the First Line's management of sustainability risks and impacts.

Our compliance team reviews all client-facing material and monitors the correct labelling of all ESG products, as well as 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 CFIL assesses 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
  - Board Independence
  - Diversity of board of directors
  - Audit and board committee structure

2.4 Identifying and Prioritising Sustainability Risks and Impacts

CFIL'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 and reported internally 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. Although investment is discouraged in companies with low ESG ratings (considered high risk), it is ultimately at the discretion of the portfolio manager, or the client to proceed or not with the investment. Investment in companies with low ESG ratings is monitor by the Investment Instrument Committee as part of our due diligence and compliance with our sustainability policies.

2.4.1 Promotion of Environmental and Social Characteristics and Sustainable Investment

CFIL products aligned with Article 8 and Article 9 specifications under the SFDR have their own separate documentation detailing how they promote better environmental and social practices.

Depending on the fund/portfolio strategy, we use a number of investment styles that allow us to meet our clients' sustainability preferences while ensuring we remain cognisant of the sustainability impacts of investment decisions. These includes:

- ***Negative screening***: All our Article 8 and 9 products apply a negative screening before comprehensive fundamental company analysis is conducted. The extent of the exclusions varies according to client preferences and takes steps to mitigate potential negative effects of investment decisions on people and the environment. Criteria include controversial weapons, human rights violations, child labour, and companies involved in specific economic activities such as coal, tobacco and so on.
- ***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 financially material ESG factors alongside financial analysis to improve risk management and decision-making. ESG ratings are an example of a metric used for measuring sustainability risks that are financial materiality. Companies are then monitored on a systematic and ongoing basis, including periodic monitoring of controversies and material ESG events.

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, where possible, 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 ISS, a leading, independent provider of proxy voting advice and administrative services to process proxy voting instructions in all our funds. At the individual security level, clients can contact our corporate actions team for advice on a specific voting deadline and / or meeting date. We facilitate this service through third-party provider Broadridge which offers a digital platform that enables us to register a client's interest to attend a meeting and / or vote via proxy.
- ***Step-by-step engagement process*** – Engagement with investee companies is considered where we hold a substantial share interest. In such cases, we arrange to meet the management of these companies on a regular basis, where possible. Areas of discussion include, but are not limited to, operational, financial and non-financial performance, company strategy, capital structure and ESG issues.
- ***Collaboration within the industry in matters of sustainable finance*** – We seek to engage in consultation processes 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.

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

2.5 Principal Adverse Impacts (PAIs) of Sustainability

In accordance with Article 4 from Regulation (EU) 2019/2088 of the Sustainable Finance Disclosure Regulation (SFDR), Cantor Fitzgerald Ireland does not currently consider Principal Adverse Impacts ("PAI") of investment decisions on sustainability factors at an entity level. We have opted not to do so as to comply at this time would be disproportionate to the nature and scale of our activities and the type of solutions we make available to our clients. In addition, having worked closely with our PAI data provider over the past number of years to increase our understanding of the evolving PAI data disclosure environment, the firm views the quality and availability of data to be insufficient at this time. Cantor Fitzgerald Ireland intends to keep this position under review and may reassess the position at such time that it is both proportionate to our operations and the requisite data is available.

As part of the above approach, we acknowledge our products and services can have adverse impacts on the world around us. We therefore monitor and prioritise PAIs through both our products that consider PAIs, and clients who consider PAIs in their sustainability preferences. Understanding the extent of those impacts allows us to take steps to mitigate and manage them. Below are a number of adverse impacts on sustainability which are critical to the internal risk control framework 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 risks, such as 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 regulated future. Climate change is a concern for a proportion of our clients, some of whom have been divesting from fossil fuels assets from as early as 2017.

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 over 5% of global GDP (US$2.6 trillion) is lost to corruption each year. Corruption adds up to 10% to the cost of doing business globally and up to 25% to the cost of procurement contracts in developing countries.

Investors risk reputational damage as well as reduced returns if they invest in companies that are implicated in corruption, particularly if the resultant scandal is poorly managed by the portfolio company. A risk preventative measure is to invest in companies with effective implementation of anti-bribery and corruption standards. For guidance on this issue, we review publicly available data describing the severity of controversies related to a firm's involvement in egregious instances of bribery and criticism by NGOs and/or other third-party observers. .

2.6 Monitoring of Principal Adverse Impacts

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 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 and interpretation of same.

From a private markets' perspective, PAI data management remains an even more significant challenge that requires direct engagement with investee companies, while also making reasonable assumptions. This is a process that we have initiated with a number of investee companies and that we will continue to develop, as more guidance becomes available from regulators.

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 remain 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.

2.7 Training

All staff are provided training on sustainability issues, whether it is on our own ESG practices or the attributes of ESG products offered to clients. Training sessions are mandatory to all relevant teams while all new staff receive training in our sustainability policy and firm-wide CSR 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

CFIL have adopted the TCFD recommendations as our 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.