



TENDERCAPITAL

The Investment House

ESG Policy and SFDR Statement

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1. Introduction

This policy outlines Tendercapital Limited (the “Firm” or “Tendercapital”) commitment and approach to developing and integrating Environmental, Social and Governance (“ESG”) within the Firm’s culture and its investment framework.

Tendercapital is firmly convinced that the value creation for its stakeholders and in general the development of a sustainable long term strategy for its portfolios require the introduction of ESG guidelines into all the phases of its activity.

Responsible investments are intrinsic to everything the Firm does to deliver its primary objective of value creation.

Environmental and social challenges (wealth distribution, pollution, climate change, depletion of natural resources, skewed demographics, etc.) are exposing investors to a specific set of risks: stranded assets, regulatory instability, reputational fallout, environmental surtaxes, costs from lengthy court proceedings and heightened market volatility to name but a few. Those risks contributed to a gradual change in the investment approach with new priorities emerging. environmental and social sustainability grown up as increasing factors of incidence in investment decisions.

Tendercapital priority is to best meet its clients’ long term objectives while fostering the adoption of economic models that are fully consistent with the UN Sustainable Development Goals. This engagement is not only expressed in the investment process and portfolios, it is also reflected in the strong support the Firm brings to collaborative initiatives that contribute to shaping its industry.

Tendercapital is a signatory of the United Nations Principles for Responsible Investment and is committed to developing its own business in line with those principles.

1.1. Definitions

ESG means “Environmental, Social and Governance” criteria, which are three central factors in measuring the sustainability and ethical impact of an investment in an issuer’s securities. By way of example, the “**environmental**” aspect may cover the company’s impact on nature and the environment issues such as biodiversity and land use, carbon emissions, energy, efficiency; the “**social**” aspect may include employment issues, welfare, human rights, healthcare, community relations, privacy and data security; and the “**governance**” aspect may cover factors related to a company’s overall corporate culture such as business ethics, board committees and pay. These examples are indicative only and do not necessarily determine the policy of specific Funds. For more precise information, investors should consult the investment policy of the relevant Funds and the websites that may be listed there.

ESG Provider means a provider of ESG research, reporting, screening, data, rating and/or analysis, including but not limited to third party index providers, consulting firms or members of the Tendercapital Group.

EU Taxonomy Regulation means Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

RI means Responsible Investment, which is a strategy and practice to incorporate Environmental, Social and Governance (ESG) factors in investment decisions and active ownership.

SFDR means Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

1.2. Responsible Investment

Tendercapital became a signatory of the United Nations’ Principles for Responsible Investing (PRI) in 2018 and has such, it has formally committed to the following principles:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principle.

(...) In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles."

As the PRI are becoming the global standard in responsible investing, it was a natural framework for the Firm to adopt those principles in order to further strengthen its on-going commitment to responsible investing and ESG matters generally. Tendercapital encourages the investment team to utilise ESG knowledge into the investment decision-making process within the relevant strategies.

A strong ESG proposition can enhance investment returns by allocating capital to more promising and more sustainable opportunities (for example, renewables, waste reduction, and innovative materials, energy management)

When it comes to ESG, it is important to bear in mind that a do-nothing approach is usually an eroding line.

1.3. ESG Working Group

Tendercapital has set up a dedicated ESG Working Group in order to carry out the activities as outlined by the UN Principles of Responsible Investment.

The ESG Working Group is composed of four members across different functions: investment, risk, compliance and legal. The primary objective of the team is to define a framework for the incorporation of the ESG factors in the investment process. Tendercapital believes that environmental, social, and governance integration is important for all asset classes and investment strategies. The team integrates material ESG considerations into its investment processes in ways that are consistent with their asset classes and strategies.

Incorporating ESG principles ultimately leads to better investment outcomes for the Firm's clients. With its foundation in active management, the team is able to identify and analyse material ESG issues.

Tendercapital defines its ESG research process through the evaluation of a company's purpose and responsibility. For the Firm, purpose refers to the impact that the Firm expects from its funds while responsibility refers to how Tendercapital manages its ESG risks in achieving its purpose.

Tendercapital also seeks to embed ESG and the above-mentioned sustainability considerations in the wider firm activities.

2. SUSTAINABILITY RISKS

Pursuant to article 3 SFDR, Financial market participant shall publish on their websites information about their policy on the integration of sustainability risks in their investment decision-making process.

Indeed, under SFDR, "sustainability investment" means "an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in

particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance”.

In light of this, Tendercapital therefore, as investment firm, has drawn up and keep up to date this ESG policy which contains, *inter alia*, the mandatory disclosures required by the SFDR.

The extent to which sustainability risks represent potential or actual material risks to an investment, they are considered by the Firm in its investment decision making and risk monitoring for all of the portfolios it manages. Along with any other material risk, Tendercapital will consider sustainability risks in order to seek to maximize long-term risk-adjusted returns for a portfolio. In the event that a sustainability risk arises, this may cause the Firm to determine that a particular investment is no longer suitable and to sell it or decide not make an investment in it.

An assessment is undertaken of the likely impacts of the sustainability risks on the returns of the portfolios. Assessment of sustainability risks is complex and requires subjective judgements, which may be based on data which is difficult to obtain and may be incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that the Firm will correctly assess the impact of sustainability risks on the investments or proposed investments.

The impacts following the occurrence of a sustainability risk may be numerous and may vary depending on the specific risk, region and asset class. In general, where a sustainability risk occurs in respect of an asset, there could be a negative impact on, or entire loss of, its value.

2.1. Tendercapital Sustainable Investment Approach

The investment team of Tendercapital has the aim of identifying sustainability factors that are likely to positively affect the financial viability and operations of companies. The team brings together a diverse set of skillsets, including investment banking, macroeconomics, lifecycle analysis and data science in order to reflect the complex nature of sustainability challenges.

The main approach followed by Tendercapital in incorporating the Six Principles for Responsible Investments of the United Nations in the investment analysis and in the decision-making process is a combination of different approaches to Responsible Investment, namely:

1. Screening and Exclusion
2. Integration of ESG factors

These approaches are applied differently across the investment strategies, taking into account the focus of each strategy, as well as the geographic and sector composition of the respective investment universe, with particular reference to the difference between equity and fixed income portfolios as specified in the relevant section below.

3. ESG Exclusion Policy

Exclusions, also known as negative screening process avoids investing in companies or sectors that are not consistent with a responsible investment approach due to ESG considerations, international conventions or principles.

Exclusion is a first step in implementing the United Nations Principles for Responsible Investment.

Application of negative screening should only be applied in cases where companies fail to demonstrate a commitment towards improvement of practices or when a risk of recurrence exists. If an excluded company demonstrates positive changes in their policies and operations, the company may be re-included in the list of investable companies.

With regard to negative screening, Tendercapital, as a first step in every type of investment universes, complies with the recommended exclusion list of companies applied by Norges Bank¹. The Norges Bank exclusion list is based on recommendations from the Norwegian Council on Ethics (appointed by the Norwegian Ministry of Finance). Moreover, exclusions are regulated by the Guidelines for the observation and exclusion of companies from the Government Pension Fund Global, adopted by the Ministry of Finance on 18 December 2014².

In its investment decision making process, Tendercapital follows the same exclusion criteria applied by Norges Bank, which comprise criteria for product-based observation and exclusion of companies and criteria for conduct-based observation and exclusion of companies. The criteria are as follows:

1. Criteria for product-based observation and exclusion of companies

a) Tendercapital commit not to invest in companies, which themselves or through entities they control:

- i) produce weapons that violate fundamental humanitarian principles through their normal use;
- ii) produce tobacco; or
- iii) sell weapons or military material to States that are subject to investment restrictions on government bonds.

b) Observation or exclusion may be decided for mining companies and power producers which themselves or through entities they control:

- i) derive 30% or more of their income from thermal coal;
- ii) base 30% or more of their operations on thermal coal;
- iii) extract more than 20 million tonnes of thermal coal per year; or
- iv) have a coal power capacity of more than 10,000 MW from thermal coal.

c) In assessments pursuant to subsection (b) importance shall also be given to forward-looking assessments, including any plans the company may have that will change the level of extraction of coal or coal power capacity relating to thermal coal, reduce the income ratio or business share based on thermal coal and/or increase the income ratio or business share relating to renewable energy sources.

d) Recommendations and decisions on exclusion of companies based on subsections (b) and (c) above shall not include green bonds issued by the company in question where such bonds are recognised through inclusion in specific indices for green bonds or are verified by a recognised third party.

2. Criteria for conduct-based observation and exclusion of companies

Investee companies may be put under observation or be excluded if there is an unacceptable risk that the company contributes to or is responsible for:

a) serious or systematic human rights violations, such as murder, torture, deprivation of liberty, forced labour and the worst forms of child labour;

¹ Norges Bank Investment Management exclusion list is available online <https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies>

² Guidelines for the observation and exclusion of companies from the Government Pension Fund Global, adopted by the Ministry of Finance on 18 December 2014 is available online <https://www.nbim.no/en/organisation/governance-model/guidelines-for-observation-and-exclusion-from-the-fund/>

- b) serious violations of the rights of individuals in situations of war or conflict;
- c) severe environmental damage;
- d) acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions;
- e) gross corruption; or
- f) other particularly serious violations of fundamental ethical norms.

The ESG Working Group will review the abovementioned exclusion list on an annual basis reserving itself the right to update the exclusion criteria at any point in time to respond to relevant developments and legal requirements.

4. Tendercapital Approach to the Governance Factor

Good governance practices are the backbone of successful investments. The governance aspect of the investee companies involves developing an appropriate culture that will support the delivery of sustainable business performance avoiding excessive risk taking and through appropriate conduct of business operations. Tendercapital fiduciary duty recognized the importance of identifying potential risk factors in regards to the governance practices. Good governance practices incorporate requirements amongst other with regards to sound management structures, employee relations, remuneration of staff and tax compliance. Moreover, the SFDR requires that products classified as Article 8 or Article 9 products do not invest in (securities issued by) companies who do not follow good governance practices. The investment team evaluates the corporate governance of the investee companies taking into account the geography where the company resides. Accountability and alignment are among the relevant factor considered in the evaluation process of the board of directors and the management team. MSCI³ database is also utilized in order to verify potential material issues affecting the governance sphere.

With reference to sound employee relations, business ethics and tax compliance, good governance ensures the absence of high or severe conflicts or controversies. The monitoring of ongoing and incoming controversies and investee management ability to address emerging issues lays the background for governance assessment. Through a set-up of alert system with third-party ESG data provider, the Firm is continuously acknowledged of investee controversies. Whenever there is a change in the degree of controversy or ESG rating of the investee companies, the investment team receives the relevant information. On a monthly basis, the investment team take evidences of controversies to the ESG Committee for an in-depth discussion and the following monitoring of issues evolution.

5. EQUITY

At Tendercapital, Responsible investments principles are adopted with the incorporation of ESG in the analysis process and portfolio construction phase. For the equity platform an ESG integration process follows the above mentioned initial exclusion screening.

5.1. ESG Integration Approach

The ESG integration is the practice of incorporating relevant ESG information or analysis, along with traditional measures, into the investment decision-making process to improve the long-term financial performance of portfolios.

The investment team leverages the ESG integration process through the systematic and explicit inclusion of material ESG factors into the investment analysis and investment decision, focusing in particular on those ESG factors that have the

³ MSCI is an independent ESG research provider offering a comprehensive global database for analyzing equity and corporate bond investments from an ESG perspective. MSCI uses a rule based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.

potential to impact the value of the investment. The extent of these impacts depends on the issuer, the industries and geographies in which they operate and the nature and time horizon of the investment.

In making investment decisions, the ESG criteria are taken into account during the valuation adjustment. Therefore, a company's ESG performance will be thoroughly considered in Tendercapital's investment decision.

Tendercapital's investment team adjust forecasted financials (such as revenues, operating costs, asset book value and capital expenditure) or company valuation models for the expected impact of material ESG factors. The material ESG factors are identified in relation to the sector and geography in which the company operates.

The investment process encompasses various stages including:

- Qualitative analysis: analysis of the reference industry, business model, company's strategy and management quality;
- Quantitative analysis: financial forecasting and valuation. It includes the integration and quantification of ESG factors deemed material;
- Investment decision: definition of the Strategic Asset Allocation (SAA).

The assessment of ESG factors is carried out in two different phases. A preliminary analysis leveraging ESG Provider and other external sources is carried out in order to assess the investable universe. A proprietary ESG integration process is then carried out at company level.

5.1.1. The equity approach to the environmental factor

Tendercapital recognizes the science on climate change and acknowledges the impact it will have on economies, market and the broader societies. Climate change has been described as one of the key risks to the stability of the financial markets.

The physical risks resides primarily from inaction on climate change and includes, among others, more severe and frequent weather events that could compromise the long-term value of the investments.

The transition risks resides in the adaptation to a low carbon economy. The process could mean that some sectors of the economy face big shifts in asset value or higher costs of doing business. Our investment team acknowledge policy, legal and technology risks dictated by a transition to a low-carbon economy.

The investment team focuses on physical and transition risks poses by the climate change and the transition to a low carbon economy.

Tendercapital's approach to the environmental factors involves the analysis of historical information and the quantification of the preparedness for climate change of the investee companies.

Carbon footprinting is a useful metrics employed by the investment team for evaluation the portfolio's contribution to global emission. Tendercapital recognized the limited dimension of the metric in the quantification of climate change and is committed to improve the scope of analysis going forward.

Calculating the carbon footprint of a portfolio considers the GHG emissions (scope 1, 2 and 3) of each constituent company, weighted by the exposure to that issuer in the portfolio. This provides a weighted carbon intensity (emissions/€ invested) for the portfolio, which can be compared to a benchmark. Tendercapital reports regularly the carbon footprint of its portfolios at sector level in comparison to the carbon footprint of the Stoxx Europe 600.

5.1.2. The equity approach to the social factor

The Firm's approach to the social factors involves the analysis of various factors that could impede the economic activity of the investee companies and materially affect the value of the investment. The social factors considered includes among others labour practice, customer privacy, data security, access and affordability, product quality and safety, customer welfare, selling practices and product labelling.

The investment team carries out a preliminary analysis of the investee companies leveraging the MSCI database for the identification of existing controversies in the social sphere. The investment teams analyzes the risks to the social factors in relation to the sector and geography in which the company operates through the identification of relevant issues in accordance to the SASB materiality framework⁴. SASB standard are a useful framework regarding sustainability issues that are likely to impact corporate ability to create value over the long term.

6. FIXED INCOME

As lender of capital, fixed income investors influence investee ability to fund operations. From this perspective, sustainability analysis incorporation in investment decisions directly impacts companies in setting the cost of funding favoring businesses with a more sustainable footprint.

As fixed income investments have an asymmetric risk/return profile and upside opportunities are limited in nature, the assessment of the downside risk is at the core of investments in the asset class and more compelling than grasping opportunities. That is the reason why ESG incorporation is of foremost importance and specifically ESG risks represent a key driver in credit analysis and portfolio management.

At Tendercapital, Responsible investments principles are adopted with the incorporation of ESG in the analysis process and portfolio construction phase. For the fixed income platform, a mix of screening tools and ESG integration process applies.

To this extent, the Tendercapital ESG incorporation framework for fixed income investments is based on the identification of major risks tackled through a screening process identifying companies with weak scoring on relevant sustainability factors. The identification of laggards does not coincide with the automatic outing from the investment universe, but has the aim to individuate those issuers for which an integrated ESG analysis is deserved in order to thoroughly assess the investment opportunity.

6.1. Screening process: identification of laggards

The aim of the screening process is to identify companies that label as laggards. Laggards are those companies with poor sustainability scoring that bear the highest downside and default risks.

In order to identify laggards, a proprietary screening approach is applied. The approach set specific score threshold at sector level that investee companies must achieve. The threshold definition is based on the analysis of an internal benchmark represented by the Bloomberg Euro-Aggregate: Corporate Index (LECPREU Index).

On a sector specific level, the defined threshold is linked to environmental or social themes based on a materiality principle. The scores (E and S pillar scores) upon which the process relies are provided by the ESG Provider MSCI. To define the relevant score (E or S) that represent the threshold at sector level the distribution of scores is analyzed based on benchmark

⁴ SASB (Sustainability Accounting Standards Board) Standards identify the sustainability information that is financially material, which is to say material to understanding how an organization creates enterprise value. That information – also identified as ESG (environmental, social, and governance) information – is designed for users whose primary objective is to improve economic decisions.

issuer weight in the specific sector. The threshold is identified as the highest relevant score of the last quintile of the distribution of scores for each specific sector.

Table 1 in the appendix 1 of this document shows ESG relevant factors internally considered at sector level in the definition of the screening threshold. For the purpose of defining the most relevant factor, an internal assessment is paired with materiality indications provided by the SASB framework.

6.2. The Investment Process: a “comply or explain” approach

Once the relevant thresholds are identified, each investment opportunity can be labelled as “compliant” or “laggard”.

While as per academic and industry standard the negative screening process lead to the outing from the investment universe of the laggard issuers, Tendercapital strongly believes that providing investors with a pure negative approach would be detrimental to its goal of active investor. It relies on this assumption the interpretation the Firm attributes to its screening process.

Therefore, while “compliant” labelled investment opportunities may enter the asset allocation without further due diligence on ESG side, the investment manager can decide to include a “laggard” issuer in the portfolio after an in-depth qualitative analysis and risks assessment. Therefore, a “comply or explain” approach is the backbone of the ESG incorporation process in fixed income investments.

The ESG integration model adopted for “laggards” basis its ground on an overall initial assessment on elements of strength and weaknesses related to sustainability issues. Once the outcomes of the qualitative analysis emerge, the integration in the quantitative financial model is performed through the adjustment of forecasted variables. Adjustments implemented in financial models encompass, but is not limited to, financial variables as sales growth, cost trend, marginalities, investment needs and asset impairment.

While the issuer can be labelled as laggard on an environmental or social factor, the integration model encompass a comprehensive analysis on sustainability factors.

We acknowledge the limit of screening issuers on a synthetic score related to a specific ESG factor and the level of discretion in the process and this is the reason why Tendercapital decided not to automatically opting out from potential opportunities arising through “laggard” issuers. Nonetheless, the Firm considers the screening process a fundamental lever for getting conscience of potential higher than average risks.

6.3. Technical Remarks

The definition of the threshold at sector level is updated annually during the month of January in order to dynamically follow the update of relevant scoring by the ESG Provider. At each update of thresholds, an analysis at single portfolio level is performed in order to evaluate whether issuers deemed compliant with the previous threshold become laggard. To that extent, the Firm has 60 days in order to adjust the portfolio or integrate the ESG analysis needed.

Although the coverage of data providers and the reporting of sustainability data is rapidly improving for corporate issuers, specifically when dealing with small/mid cap and high yield investments the risk of lacking official score emerge. The lack of ESG data and scores impairs the screening process and the identification of laggard issuers. Tendercapital commits to a minimum portfolio coverage of 75%.

7. Principal Adverse Impacts

Pursuant to Article 4 SFDR, financial market participants shall disclosure whether or not they consider principal adverse impacts of investment decisions on sustainability factors. According to Article 4, paragraph 2 SFDR, Tendercapital informs

that although in general it considers some of the principal adverse impacts of its investment decisions, it is currently in no condition and no mandatory obligation to consider such principal adverse impacts. This is mainly due to the fact that the relevant legal framework is still not completed at the moment (in particular the Regulatory Technical Standards, whose entry into force is currently envisaged for 1st January 2023).

Tendercapital reserves the right to consider the principal adverse impacts of investment decision on sustainability factors when the technical regulatory paradigm has finally entered into force.

8. Status of this Policy

This policy will be reviewed annually by the ESG Working Group and has to be approved by the Board of Directors of the Firm.

This policy is communicated solely for information purposes and neither constitutes an offer to buy, an investment advice nor a solicitation to sell a product. This policy is neither a contract nor a commitment of any sort and the information contained therein is communicated without taking into account the specific investment objectives, financial situation or particular need of any particular investor.

Although it has been prepared based on sources that Tendercapital considers to be reliable, information remains inevitably incomplete, based on data established at a specific time and may be changed without notice.

Tendercapital accepts no liability whatsoever, whether direct or indirect, that may arise from the use of information contained on this material. Tendercapital can in no way be held responsible for any decision or investment made on the basis of this information.

The information contained in this document is deemed accurate as at February 15, 2022.

Appendix 1

Table 1: Definition of relevant ESG factor at sector level used for screening purpose.

Sector Definition	ESG Relevant Factor
Energy	E
Materials	E
Industrials	E
Commercial & Professional Services	S
Automobiles & Components	E
Consumer Discretionary	S
Consumer Staples	S
Health Care	S
Financials	S
Information Technology	S
Communication Services	S
Utilities	E
Real Estate	E