Sustainable Investment Policy

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Contents

1 Introduction

1.1 Definitions

Unless the context expressly provides otherwise, capitalized words and expressions used in this Policy shall have the meaning given to them in the list of definitions of the Administrative Organisation and Internal Controls Handbook of OBAM Investment Management B.V.

In addition to the definitions defined in the Administrative Organisation and Internal Controls Handbook, the following definitions are used in this policy. Words that are displayed in the singular have the same meaning in the plural and vice versa.

ESG	Environmental, Social and Governance
EU Taxonomy	Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088
Policy	This Sustainable Investment Policy
SDG(s)	(one of) the 17 Sustainable Development Goal(s) as developed by the United Nations and adopted by all United Nations Member States in 2015
SFDR	Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector
SFDR RTS	Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 regarding regulatory technical standards specifying the details of the content and presentation of the information to be disclosed under the SFDR
UN	United Nations

1.2 Purpose and scope

OBAM IM sees sustainability as a long-term force for change in markets, countries, and companies. OBAM IM believes that sustainability issues impact the value and reputation of entities in which OBAM IM, on behalf of its clients and investors of the Fund(s), invests. Therefore, OBAM IM believes that a company that considers the interests of all stakeholders is a well-managed company, and therefore represents a natural investment proposition for long-term investors.

Sustainability is an integrated part of our investment process. This Policy outlines OBAM IM's sustainable investment framework that OBAM IM applies to the portfolio management of its client mandates and the Fund(s). The Policy outlines, among others: (i) OBAM IM's sustainable investment strategy, (ii) the methodologies to implement the sustainable investment strategy and (iii) the sustainable investment instruments to implement the sustainable investment strategy in the investment processes.

This Policy is a further elaboration of the Investment Selection and Due Diligence Policy and should be read in close conjunction with it.

1.3 Legal framework

This Policy is governed by Article 3, 5, 4, 6, 7, 8, 10, 11, 12 and 13 of the SFDR and underlying, relevant regulations and the EU Taxonomy.

1.4 Governance

The Management Board develops and implements this Policy. On behalf of the Management Board, the CEO/CIO is the owner and is accountable to develop, implement and maintain this Policy. The CEO/CIO thus takes on the role of Chief Sustainability Officer (CSO) and will involve, where necessary, its specialized subject matter experts and/or the other members of the Management Board, when performing this responsibility. The role of CSO entails steering upon, strengthening and embedding ESG considerations in the OBAM IM organisation and thereby tangibly and visibly supervise the integration thereof.

1.5 Evaluations of the Policy/Amendments to this Policy

This Policy is adopted by the Management Board. OBAM IM will evaluate the effectiveness of this Policy at least annually, to safeguard compliance with laws and regulations. The CEO/CIO will perform an annual review and undertake the required updates if that would be the outcome of the review.

The CEO/CIO determines whether this Policy functions in practice or whether there are any deficiencies. Appropriate measures will be taken to address any deficiencies. The outcome of the review and, if applicable, updated Policy is shared with the Management Board for adoption. The Policy must however be updated immediately in case of a material change to regulations, laws, OBAM IM's strategy, activities, the OBAM IM governance or internal requirements. In addition, this Policy must be updated before investing in a new asset class and/or issuing a new investment fund.

The Staff members will be informed of any material change to this Policy within due time.

2 Sustainable investment strategy

2.1 Sustainable investment beliefs

The sustainable investment beliefs guide OBAM IM's decisions for investing in companies that help create a sustainable society, while at the same time generating long-term financial returns for OBAM IM's clients and the investors of the Fund(s). The sustainable investment beliefs set the direction for the (sustainable) investment strategy for OBAM IM's investment products and services.

OBAM IM formulates the following sustainable investment beliefs:

1. The role of asset managers in creating a better world

   Asset managers play a pivotal role in improving society and creating a more sustainable world. Therefore, our client's assets and the assets of the Fund(s) will be managed through a transparent, reliable and thorough sustainable investment strategy.

2. ESG emphasis as a value proposition

   Incorporating sound ESG parameters in our research and investment strategy will increase the value of our client's and Fund(s)' assets. In contrast, we will avoid investing in entities with serious ESG risks, as it can negatively impact the reputation and value of those entities.

3. Outperformance from strong business models and sustainability

   By building a portfolio consisting of companies with strong and leading business models, that contribute to a more sustainable world and future, we will create outperformance for our clients and the investors of the Fund(s).

2.2 Common principles and conventions

For several years, OBAM IM's sustainable investment strategy has been based on various common principles and conventions:

- We became a signatory to the UN Global Compact, a globally recognized framework for ESG principles, criteria and treaties that comprises ten universal principles derived from several UN conventions and treaties and which is aligned with the UN SDGs and aimed at achieving the latter.

- We signed the UN Principles for Responsible Investment (UN PRI). The UN PRI comprises six principles and establishes goals to incorporate sustainability factors into the investment process:

    - we will incorporate ESG issues into investment analysis and decision-making processes;

- we will be active owners and incorporate ESG issues into our ownership policies and practices;
- we will seek appropriate disclosure on ESG issues by the entities in which we invest;
- we will promote acceptance and implementation of the UN PRI within the investment industry;
- we will work together to enhance our effectiveness in implementing the UN PRI; and
- we will each report on our activities and progress towards implementing the UN PRI;

- We commit to the Roundtable on Sustainable Palm Oil (RSPO) to transforming the palm oil industry to a more sustainable industry.

2.3 ESG characteristics promoted by OBAM IM's products and services

Considering its investment beliefs and the common principles and conventions, OBAM IM only develops and distributes investment products and services that promote environmental and social characteristics, considering good governance practices (*article 8 SFDR*). Although OBAM IM's investment products and services do not have sustainable investments as their primary objective, they will have a minimum percentage of sustainable investments in the portfolio that qualify as environmentally sustainable under the EU Taxonomy. The percentage of sustainable investments depends on the sustainability risk appetite of the specific investment product or service.

OBAM IM's investment products and services will always promote the following environmental and social characteristics. The level of which these characteristics are promoted (and the KPIs related) may differ per investment product or service considering the specific sustainability risk appetite:

- OBAM IM limits investment in companies involved in business activities that are incompatible with our sustainablie investment strategy by establishing and maintaining an exclusion strategyExclusion is about not investing in companies involved in business activities that are detrimental to environment and society and incompatible with our sustainable investment strategy. Our exclusion policy ensures that the investment universe meets a minimum sustainability standard irrespective of the individual portfolio company's sustainability profile considering the following principles:
  - we will not invest (directly or indirectly) in sanctioned jurisdictions or companies considering the sanctions list of the UN, the European Union, OFAC and the Dutch authorities;
  - we will not invest in controversial industries that should be avoided because of their potential sustainability risk such as conventional weapons, palm-oil (non-RSPO certified), tobacco, nuclear energy, tar sand, coal, fossil energy and adult entertainment. The extent to which (potential) portfolio companies are excluded from the investment universe depends on our exclusion levels. Further reference is made to Annex I that outlines the exclusion levels per industry; and
  - we will not invest in (potential) portfolio companies that do not comply with the UN Global

Compact Principles and that are unable or unwilling to improve their behavior.

- OBAM IM promotes adherence to and conducting business activities in accordance with the UN Global Compact Principles.

  (Potential) portfolio companies are expected to operate within internationally accepted norms and standards related to human rights, labour rights, the environment, and business ethics. When companies fail to operate within these norms, they risk negatively impacting societal stakeholders and/or the environment. This poses reputational risks for the (potential) portfolio company and for those who invest in it. Therefore, OBAM IM is of the opinion that all investments should comply with the UN Global Compact Principles.

  The UN Global Compact is a global sustainability initiative that call on companies to adhere 10 principles in the areas of human rights, labour, environment, and anti-corruption. The purpose of the UN Global Compact Principles is to improve the lives of future generations. By incorporating the UN Global Compact Principles into their business strategies and activities, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term value creation. The UN Global Compact Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. Further reference is made to Annex II that outlines the UN Global Compact Principles in more detail.

- OBAM IM limits investing in companies with an elevated sustainability risk based on ESG-risk scores.
  OBAM IM identifies, assesses, and monitors the ESG-risk score of (potential) portfolio companies. OBAM IM is of the opinion that sustainability risks could negatively impact the value of a portfolio company. OBAM IM recognizes the ever-growing evidence that (potential) portfolio companies performing well on ESG issues have a lower risk profile and better financial performance than (potential) portfolio companies performing less well on these issues. A higher ESG-risk score could mean that OBAM IM requires a higher potential return from a (potential) portfolio company. OBAM IM's investment products and services may commit to a maximum exposure to companies with a high or severe ESG-risk score.

- OBAM IM promotes having a weighted average ESG risk-rating that is better than that of the benchmark

  OBAM IM's investment products and services may need to adhere to a minimum the overall ESG risk-rating versus its benchmark. The lower the sustainability risk appetite of the specific product or service, the stricter the limit.

- OBAM IM promotes having a substantially lower CO2 footprint than the benchmark

  OBAM IM's investment products and services commit to a maximum carbon footprint relative to its benchmark. The carbon footprint is measured by normalizing the greenhouse gas (GHG) emissions by Enterprise Value Including Cash (EVIC).

2.4 SDGs

The United Nations has formulated 17 ambitious SDGs to make the world more sustainable. The goals should put an end to poverty, inequality and climate change, among other things. OBAM IM endorses the importance of all 17 SDGs and takes into account the impact of our investments on these SDGs.

Analyzing the SDGs is part of the investment process. We do this by mapping the positive contribution of companies to each of these SDGs, including the associated goals. In addition, we aim to use our voting and engagement policies to encourage companies in our portfolio to improve their contributions to these SDGs.

The SDGs are the basis upon which the SFDR and the EU Taxonomy are being built. Therefore, the SDGs are integrated in the relevant regulatory framework.

2.5 Principal Adverse Impact (PAI)

The European Union has set up ambitious climate and energy targets for 2030 and designed a comprehensive European Green Deal to make its economy sustainable. To achieve these targets and objectives, it is necessary to direct investments towards sustainable projects and activities. While multiple initiatives are part of the EU Action Plan on Financing Sustainable Growth, one of the main components is Action 7 'Clarifying institutional investors' and asset managers' duties'. Under Action 7, the SFDR aims to increase the transparency of ESG disclosure towards end-investors by introducing standardized disclosure rules for selected indicators and metrics, the so-called Principle Adverse Impact (PAI) indicators. Adverse impacts are defined by the EU as 'negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by an asset management company'.

Investment decisions can thus lead to negative, material or likely to be material effects on sustainability factors. These PAI can occur in different areas, such as related to environmental, social and employee matters, human rights, corruption and bribery matters. On an entity level, OBAM IM has identified and prioritized adverse impacts and indicators on sustainability factors relevant to the organization's overall investment strategy. SFDR defines 64 PAI indicators in total, divided in 18 mandatory PAI indicators and 46 voluntary indicators. Please refer to Annex III for an overview of the PAI indicators that we structurally consider and that we aim to mitigate via our sustainable investment strategy. The degree to which and the way in which the PAI are considered in the investment process depend on various factors, such as on the type of fund or strategy and availability of reliable data.

OBAM IM has published a Principal Adverse Impact Statement on its website to explain to investors and prospective investors how it takes the PAI which investee companies have on sustainability factors into account when making investment decisions.

2.6 Integration of sustainability in the Remuneration Policy

OBAM IM considers an appropriate incentives-based mechanism vital to achieving our investment performance goals within an appropriate risk culture and to account also for relevant sustainability risks. The remuneration framework thus provides the right incentives to take decisions in line with the sustainability considerations related to investment strategies and facilitate the implementation of relevant ESG risk-related factors consistent with our Sustainable Investment Policy.

In line with our Remuneration Policy, OBAM IM sets clear and measurable key performance indicators (KPIs) which are defined in line with amongst others our Sustainable Investment Policy. The Sustainable Investment Policy encompasses a comprehensive suite of policies and procedures designed to integrate the evaluation of sustainability risks throughout OBAM IM's investment processes and stewardship activities.

3 Methodologies and data

This section outlines the methodologies used to assess, measure, and monitor the sustainable investment strategy, including its data sources and the relevant sustainability indicators used to measure the effect of the sustainable investment strategy. The methodologies, data(sources), and indicators used may differ per product or service.

3.1 Exclusion policy

OBAM IM has established and maintains an exclusion list to ensure that OBAM IM will not invest in companies involved in business activities that are detrimental to environment and society and incompatible with our sustainable investment strategy.

During the investment selection process OBAM IM assesses whether a potential portfolio company is on the exclusion list. The outcome of the assessment will be documented in the sustainability report. On a quarterly basis, OBAM IM monitors as part of the portfolio monitoring process whether existing portfolio companies still comply with OBAM IM's exclusion policy.

3.1.1 Methodology to measure compliance with exclusion policy

OBAM IM has implemented its exclusion policy including exclusion levels in a Sustainalytics tool. OBAM IM generates and extracts, on a semi-annual basis, an exclusion list from the Sustainalytics tool considering OBAM IM's exclusion policy and exclusion levels. The Portfolio Management team considers the exclusion list during the investment process.

3.2 Compliance with UN Global Compact Principles

During the investment selection process, OBAM IM assesses whether a potential portfolio company complies with the UN Global Compact Principles. The outcome of the assessment will be documented in the sustainability report. Companies who are violating the UN Global Compact Principles are excluded from the portfolio.

OBAM IM monitors the compliance status of portfolio companies as part of the portfolio monitoring process. Companies at risk (*Watchlist*) will be subject to our engagement activities. Companies who are violating the UN Global Compact Principles will be excluded from the portfolio.

3.2.1 Methodology to measure compliance with UN Global Compact Principles

OBAM IM has adopted the measure methodology of Sustainalytics. Sustainalytics assesses and monitors a (potential) portfolio company's compliance status.

3.2.1.1 Compliance status

OBAM IM assesses (in cooperation with Sustainalytics) (potential) portfolio companies as Non-Compliant, Watchlist or Compliant in relation to the UN Global Compact Principles. The compliance status reflects whether a (potential) portfolio company is violating, or is at risk of violating, one or more UN Global Compact Principles:

- Compliant: a (potential) portfolio company is assessed as Compliant when it has not been determined to be causing/contributing to or to be at risk of causing/contributing to severe or systemic and/or systematic violations of the UN Global Compact Principles;

(Potential) portfolio companies that comply with the UN Global Compact Principles can be subject of OBAM IM's portfolio construction. When a portfolio company is already included in the portfolio, no further action is required;

- Watchlist: a (potential) portfolio company is assessed as Watchlist if it is determined to be at risk of contributing to severe or systemic and/or systematic violations of one or more UN Global Compact Principles. A (potential) portfolio company is assessed as Watchlist when it is determined to be:
    - causing or contributing to severe negative impacts (harm) to stakeholders and/or the environment, but for which not all requirements for a Non-Compliant status could be established;
    - accountable for negative impacts, but there is insufficient information to determine that the company is violating international norms;
    - linked to a violation of international norms, but the negative impacts are not severe enough to warrant a Non-Compliant status, or the negative impacts are still remediable;
    - improving its policies and programs to prevent a reoccurrence, having been assessed previously as Non-Compliant, and further monitoring is required due to pending resolutions or remediation efforts.

Regarding (potential) portfolio companies that are assessed as Watchlist, OBAM IM will assess whether the potential risk of non-compliance outweighs the potential investment return, considering the compliance outlook provided by Sustainalytics. The compliance outlook is an indication of the conviction of Sustainalytics regarding the 12- to 24-month trajectory of the Watchlist assessment status of a (potential) portfolio company. Specifically:

- a positive outlook assessment indicates that the overall assessment status is likely to be upgraded in the next 12 to 24 months because impacts associated with the issue(s) have decreased due to positive developments;
- a neutral outlook signals that a (potential) portfolio company's overall assessment status is

unlikely to lead to a change in the next 12 to 24 months; and

- a negative outlook indicates that the (potential) portfolio company's overall assessment status is likely to be downgraded over the next 12 to 24 months due to negative developments.

- Non-Compliant: a (potential) portfolio company is assessed as Non-Compliant when it is determined to be causing or contributing to severe or systemic and/or systematic violations of one or more UN Global Compact Principles.

Companies assessed as Non-Compliant include those that are directly associated with issues causing severe, irreversible impacts that affect stakeholders and/or the environment and interfere with the enjoyment of rights and/or impose a clear cost on society. Companies displaying inadequate responses to address or remediate the issues at hand, including attempts to conceal their wrongdoing and/or involvement, are also assessed as Non-Compliant.

In OBAM IM's opinion the (potential) portfolio company assessed as Non-Compliant has proven that the (potential) portfolio company is incapable of preventing non-compliance from occurring in the future. OBAM IM will exclude the (potential) portfolio company from its investment universe.

3.2.1.2 Assessment approach

To assess the compliance status of (potential) portfolio companies, three questions are raised:

- does the (potential) portfolio company violate one or more of UN Global Compact Principles;
- in case of violation: what is the nature of the violation (incidental or repeatedly or systematically); and
- is the (potential) portfolio company that violates one or more UN Global Compact Principles willing to take necessary actions to sufficiently remedy the impact?

The compliance status will be assessed and monitored by Sustainalytics on a quarterly basis considering the issue indicators, based on the UN Global Compact Principles, as outlined in Annex II. Sustainalytics reviews relevant companies for updates and developments during this research cycle. If Sustainalytics concludes that a (potential) portfolio company meets the upgrade criteria, the assessment will be upgraded.

When potential issues are identified, Sustainalytics will assess these issues to determine whether in-dept research is required. If Sustainalytics identifies information that links a (potential) portfolio company to a violation, an assessment is prepared including a proposed adjustment to the compliance status.

The Portfolio Management team reviews and adopts the Sustainalytics' analysis. In case of non-compliance, the Portfolio Management team will, considering the market conditions and the size of the position, sell the position in a portfolio company within one month.

3.2.2 Data(sources) used to measure compliance with the UN Global Compact Principles

Sustainalytics is a leading global provider of ESG and corporate governance products and services, supporting asset managers around the world in the development and implementation of responsible investment strategies.

Sustainalytics has a dedicated research team with expertise on norms-based screening and assessments. Ongoing analysis, with quarterly publication of companies' overall status ensures data quality. An internal committee at Sustainalytics, consisting of senior representatives, from Research and Product Management, reviews and approves all assessments, ensuring consistency in all decisions.

OBAM IM's Portfolio Management team assesses and monitors the data of its (potential) portfolio companies. The Portfolio Management team determines whether to adopt the assessment and the proposed (changed) compliance status of a (potential) portfolio company.

Severity of the impact, company responsibility and company management are assessed for every issue and company. Sustainalytics contacts companies before it publishes a Watchlist or Non-Compliant assessment to confirm the allegations and request additional information regarding the issue under assessment. Following this process reduces the proportion of data that is estimated to a minimum.

3.3 ESG risk-score of (potential) portfolio companies

OBAM IM assesses and monitors the ESG-risk score of a (potential) portfolio company as part of its portfolio selection and monitoring process. In principle OBAM IM limits investment in companies with a high or severe ESG-risk score, depending on the risk appetite of a specific investment product or service. When the sustainability risk of a portfolio company exceeds the sustainable risk appetite of the product or service, additional control measures will be considered. The outcome of the initial assessment will be documented in the sustainability report.

3.3.1 Methodologies to measure sustainability risks

OBAM IM has adopted the ESG-risk score methodology of Sustainalytics. The ESG-risk score is a judgement score. Therefore, the ESG-risk score will be validated by OBAM IM's Portfolio Management team. In case no ESG-risk score can be provided by Sustainalytics, the Portfolio Management team will calculate the ESG-risk score with best effort by itself based on other data sources that OBAM IM considers reliable.

The ESG-risk scores are a measure of unmanaged risk, which is defined as material ESG risk that has not been managed by a (potential) portfolio company. A (potential) portfolio company's ESG-risk score is comprised of a quantitative score and a risk category. The quantitative score represents units of unmanaged ESG risk with lower scores representing less unmanaged risk. Unmanaged risk is measured on a scale starting at zero (no risk) till 100. Based on their quantitative scores, (potential) portfolio companies are grouped into one of five risk categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

Exhibit 1 Sustainalytics' company-level ESG Risk Rating

Company Score	ESG Risk Level
0-9.99	Negligible
10-19.99	Low
20-29.99	Medium
30-39.99	High
40+	Severe

Source: Morningstar, Inc.

Figure 1, overview ESG-risk score

3.3.1.1 Composition of the ESG-risk score

The ESG-risk score is composed of three building blocks that contribute to a (potential) portfolio company's overall rating. These building blocks include:

- corporate governance: corporate governance is a foundational element in the ESG-risk score and reflects our conviction that poor corporate governance poses material risks for (potential) portfolio companies.

  Corporate Governance is composed of six pillars as outlined in the figure below. Each pillar includes a set of relevant corporate governance indicators. The corporate governance score is a weighted average of the underlying six Corporate Governance pillar scores, using a regionally based weighting scheme.

Board and management quality and integrity	Do the board's experience, track record and behaviour demonstrate its ability to provide strategic leadership and oversight?
Board structure	Do the organization and structure of the board provide sufficient oversight, representation and accountability to shareholders?
Ownership and shareholder rights	Do the constitution of the company and its ownership structures respect the right of outside shareholders relative to the board, management and major shareholders?
Remuneration	Do the company's remuneration policies and practices provide appropriate incentives for management to build value?
Financial reporting	Are the company's financial reports reliable and subject to appropriate oversight?
Stakeholder governance	Does the company have appropriate structures in place to manage ESG issues generally and is the company transparent about these?

Source: Sustainalytics

Figure 2, overview of the six corporate governance pillars as considered within the ESG-risk score

- material ESG issues: material ESG issues are focused on a topic, or set of related topics, that require a common set of management initiatives or a similar type of oversight. To be considered material, an ESG issue must have the potential to have a significant impact on the financial value of a (potential) portfolio company and, hence, the financial risk and return profile of an investment in the (potential) portfolio company. The assessment of material ESG issues occurs at subindustry level. At a (potential) portfolio company level, material ESG issues can be removed from the rating if they are not relevant to the (potential) portfolio company's business model.

  The material ESG issues form the core of the ESG-risk score. It rests on the assumption that ESG issues can influence the economic value of a (potential) portfolio company in each subindustry in a fairly predictable manner. The rating is forward looking in the sense that it identifies these issues based on the typical business model and business environment a company is operating in. The material ESG issues as identified by OBAM IM are outlined in the figure below; and

- idiosyncratic ESG issues: there are issues that may become significant or material in an unpredictable manner. Idiosyncratic issues are 'unpredictable' or unexpected in the sense that they are unrelated to the specific subindustry and the business model(s) that can be found in that subindustry. It could happen at any company across all sectors and, hence, falls outside of the logic with which we capture subindustry-specific material ESG issues. Typically, issues like this are event driven. Idiosyncratic issues, therefore, become material ESG issues if the associated event assessment passes a significance threshold. Note that idiosyncratic issues become material issues only for the specific (potential) portfolio company in question, not for the entire subindustry that company is part of.

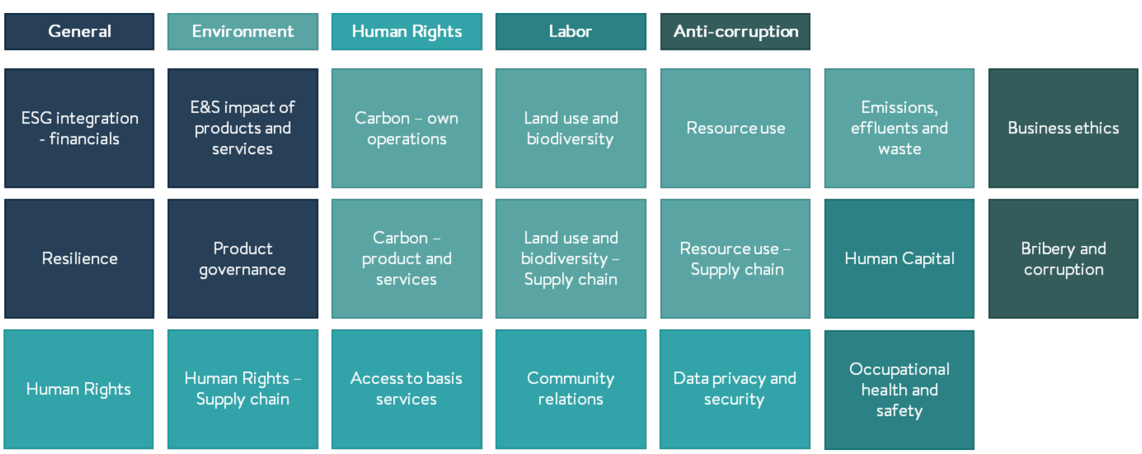
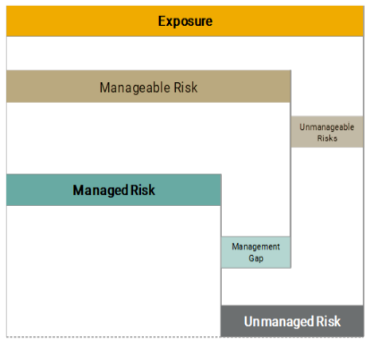


Figure 3, overview material ESG issues; source: Sustainalytics

3.3.1.2 Calculation of the ESG-risk score

The ESG-risk score includes two types of risk: unmanageable risk, which cannot be addressed by company initiatives, as well as the management gap. The management gap represents risks that could potentially be managed by a company but aren't sufficiently managed according to our assessment.



Company Exposure	=	Subindustry Exposure	*	Issue Beta		
	=	8	*	1.5	=	**12**
Manageable Risk	=	Company Exposure	*	MRF		
	=	12	*	90%	=	**10.8**
Managed Risk	=	Manageable Risk	*	Management score (as %)		
	=	10.8	*	75%	=	**8.1**
Unmanaged Risk	=	Company Exposure	-	Managed Risk		
	=	12	-	8.1	=	**3.9**

Source: Sustainalytics

Figure 4, overview ESG-risk score calculation methodology

The ESG-risk score calculation system for a company is best thought of as occurring in three stages. This structure applies to individual material ESG issues as well as the (potential) portfolio company's overall ESG-risk score:

- Company exposure: the company exposure reflects the extent to which a (potential) portfolio company is exposed to material ESG risks. Material ESG issues and their exposure scores are assessed at the subindustry level and then refined at the (potential) portfolio company level.

As a starting point, the exposure of companies that operate in the same subindustry (as characterized by roughly similar products and business models) vis-à-vis a set of potentially relevant ESG issues is determined.

- Manageable risk: for some material ESG issues, the risk cannot be fully managed. The share of risk that is manageable vs. the share of risk that is unmanageable is predefined at a subindustry level by a manageable risk factor. The manageable risk factor ranges from 30% to 100% and represents the share of exposure to a material ESG issue that that is deemed to be (at least theoretically) manageable by a (potential) portfolio company. The company exposure will be multiplied with the manageable risk factor to achieve more realistic rating outcomes and to ensure the comparability of ratings across companies and subindustries.

Managed risk: speaks to the manageable part of the material ESG risks a (potential) portfolio company is facing and reflects the failure of the (potential) portfolio company to manage these risks sufficiently, as reflected in the (potential) portfolio company's management indicator scores. The managed risk will be calculated by multiplying the manageable risk with the overall management indicator score.

The overall management indicator score can be considered as a set of company commitments, actions and outcomes that demonstrate how well a (potential) portfolio company is managing the ESG risks it is exposed to. The overall management indicator score for a (potential) portfolio company is derived from a set of management indicators and outcome-focused indicators. For each material ESG issue/subindustry combination, management-, quantitative performance-, and event indicators have been selected and weighted so that they collectively provide the strongest signal to explain and measure how well a (potential) portfolio company manages an issue.

- Unmanaged risk: the final ESG-risk score is calculated as the sum of the unmanaged risk scores. It is the overall unmanaged risk of a (potential) portfolio company. The unmanaged risk is the difference between a company's exposure and its managed risk.

3.3.2 Data(sources) used to measure sustainability risks

Sustainalytics' research is based on three research cycles:

- Review subindustry exposure: Sustainalytics reviews the subindustry exposure assessments on an annual basis. The purpose of these assessments, which are independent of individual companies' assessments, is to validate the selection of material ESG issues for each subindustry. During this review, the exposure scores for different material ESG issues may be adjusted for the subindustry, along with the selection of management indicators. In addition, new management indicators may be introduced to better capture a company's overall management score.

- Review company profiles: at the company level, Sustainalytics also has an annual update cycle. For each company, Sustainalytics runs through a comprehensive research process and complete a full update of the company's ESG-risk score report. The update comprises company-specific exposure and management assessments. The research process starts with the collection of company data via public disclosure, media, and NGO reports. The data is then analyzed according to the indicator framework. Each annual ESG-risk score update is followed by a robust peer review and quality assurance process.

- Event assessments: event assessments are done continuously throughout the year, driven by the relevant daily news-flow.

Each ESG-risk score report is sent to the (potential) portfolio company for feedback by Sustainalytics. Sustainalytics gathers feedback on the accuracy of the information captured in the draft report, as well as to collect additional and updated information from the company. After the feedback is implemented, the ESG-risk report is made available to OBAM IM for review and validation by the Portfolio Management team.

3.4 ESG risk-rating of an investment product or service

Based on the ESG risk-rating of the individual portfolio holdings, OBAM IM can generate a weighted average ESG risk-score and weighted average ESG Risk Ratings category of its portfolio and the benchmark. ESG risk-score are on a scale of 0-100, with higher score denoting higher levels of risk.

3.5 CO2-footprint of an investment product or service

OBAM IM monitors on a quarterly basis the CO2-footprint of its investment products and services comparable to the reference benchmark. OBAM IM adopts the Sustainalytics methodology to measure the CO2-footprint of its investments products and services.

3.5.1 Methodologies to measure CO2-footprint

Carbon Emission Data collected or estimated by Sustainalytics is designed to provide OBAM IM with insights to assess and analyze companies' GHG emissions. While corporate disclosure on greenhouse gas (GHG) emissions is improving, reporting on Scope 1, 2 and 3 emissions is limited. Yet OBAM IM needs reliable GHG emissions information to assess the climate risks facing its portfolio companies and to fulfill mandatory and voluntary regulatory requirements. This highlights the importance of having high-quality GHG emissions estimation models and accurate data to support investment decision-making.

The Carbon Emissions Data is backed by multi-factor regression models to estimate GHG emissions. With sophisticated estimation models and high-quality data, OBAM IM can respond to regulatory requirements and initiatives such as EU Action Plan, SFDR and UN PRI. Enhanced Carbon Emissions Portfolio Reports also provide insights into the portfolio-level performance on GHG emissions compared to the benchmark.

The estimation models for Scope 1, 2 and 3 emissions* follow a common model framework across all environmental metrics and considers subindustry, geographical location, and a company's size. This common model framework facilitates consistency and comparability. These models also include specific factors, which offer the flexibility to adjust for structural differences in the underlying data and can address the limitations of data availability. The company activity data in Scope 1 and 2 models allows the estimation models to account for subindustry variation in business models and GHG-generating activities.

Multi-Metric Multi-Factor Model	Factor 1 (Subindustry)	Factor 2 (Size)	Factor 3 (Country)	Factor N-1	Factor N
Scope 1 emissions	✓	✓	✓	✗	✗
Scope 2 emissions	✓	✓	✓	✓	✗
Scope 3 emissions	✓	✓	✓	✓	✓
	Common Factors			Refining Factors	

*As of January 2023, our Scope 1 and Scope 2 estimated emissions will use the same Multi-Metric Multi-Factor Model Framework as our Scope 3 emissions.

3.6 PAI

OBAM IM assesses and monitors the PAI of its investment strategy on selected sustainability indicators (see Annex III). The PAI of (potential) portfolio companies will be assessed as part of OBAM IM's selection process. In addition, the PAI of the overall portfolio will be monitored on a quarterly basis.

OBAM IM has adopted the measure methodology of Sustainalytics to assess and monitor the PAI of its investment strategy. The PAI score is a judgment score. Therefore, the PAI score will be validated by OBAM

IM's Portfolio Management team. In case no PAI score can be provided by Sustainalytics, the Portfolio Management team will calculate the PAI score with best effort by itself based on other data sources that OBAM IM considers reliable.

3.6.1 Methodology to measure PAI score

Sustainalytics maps existing datapoints (collected from its research) to each PAI following two criteria:

- Coherence with the regulatory PAI definition or its interpretation as expressed by the concept of PAI fit;
- Suitability in the context of portfolio level aggregation and disclosure.

3.6.1.1 Measures of fit

To determine coherence with the definition, the content and research methodology of each selected datapoint were assessed. When no clear definition has been provided by the regulators, the most suitable datapoints were identified according to Sustainalytics' best judgement. Where the exact datapoint was not directly available, proxies (either individual datapoints or combinations of different datapoints) have been identified to replicate the requirement.

Fit is the criterion that allows to map a certain datapoint from Sustainalytics to a specific SFDR PAI, where this criterion represents a distance measure in terms of *definitional coherence*. Definitional coherence is the degree to which the definition of the Sustainalytics datapoint corresponds to the original definition of the PAI, or where necessary its interpretation. The level of fit is defined for each datapoint or set of datapoints vis-à-vis a certain PAI, considering three levels of fit:

- *Exact fit*: denotes a case where the Sustainalytics datapoint is fully covering the PAI requirement(s);
- *Partial fit*: denote a case where the Sustainalytics datapoint is covering the PAI requirements to a significant extent, but not fully. For example, when using a smaller set of tracked pollutants or not considering a spatially explicit perspective;
- *Minimum fit*: denotes a case where the Sustainalytics datapoint is covering the PAI requirement to a minimum extent.

3.6.1.2 Portfolio level aggregation

For all PAIs coverage statistics will be calculated to enable OBAM IM to see the proportion of the adjusted portfolio that is eligible and covered. In this context, *eligible* means those holdings that are the relevant type for the PAI in question (e.g. corporate holding for a corporate PAI) and *covered* means those eligible holdings for which the relevant underlying data has been obtained or estimated.

In total there are 64 PAIs described in the SFDR. However, some of them have more than one indicator or metric associated with them. For aggregation purposed, the PAIs are grouped into six categories in accordance with the applicable calculation methodology that comprise the following approaches:

- *Average value calculations*

  These are simple weighted averages of the relevant data for the holdings. The weighted average is based on the average of all covered holdings weighted by portfolio weight of each holding. The calculations only include those holdings for which there is underlying data;

- *Involvement calculations*

  These denote the percentage of the holdings that are involved/not involved with, or exposed to, certain industries or activities (for example, fossil fuels). These are calculated as a percentage of the portfolio, the percentage of the "eligible" portfolio, and the percentage of the "covered" portfolio. A company that derives any of its revenue from the activity will be classed as involved;

- *Policy calculations*

  These denote the percentage of the holdings that have/do not have a policy on a specific matter (for example, deforestation). These are calculated as a percentage of the portfolio, the percentage of the "eligible" portfolio, and the percentage of the "covered" portfolio;

- *Emission calculations*

  These PAIs come in two flavors: *Share of emissions:* (the total amount of emissions (in metric tons) the portfolio is responsible for) and *Emission per EURm invested* (the amount of emissions per million of euros invested (in metric tons per EURmillion)). These calculations only include those holdings for which data is available. The portfolio is considered responsible for all of the underlying holding's emissions in proportion to the amount of the company owned. In most cases, the PAI is shown as an emission per million of euros invested. These PAIs are the same calculation as the share of emissions, but once the emissions the portfolio is responsible for is calculated, the value is divided by the total amount invested by the portfolio (in millions of euros) in those companies where the emissions are known;

- *Social violation calculations*

  This is a simple count of the number of countries and the percentage of countries invested in that are subject to social violations; and

- *Anticorruption/Bribery violation calculation*

  This is a simple count of the number of convictions and mount of fines (in euros) for corruption and/or bribery offenses of the underlying holdings of the portfolio.

Further reference is made to Annex III that outlines the metrics and calculation type per PAI that OBAM IM considers during the investment process.

3.6.1.3 Limitations

There are two types of limitations that apply to the usability of selected mapped datapoints for the PAI calculations:

- *Interpretation*: a first class of limitations pertains to the interpretation of the definition coming from the regulator. Whenever an interpretation of the definition is needed, Sustainalytics apply one that is based on their expertise and reasonable business judgement. However, different interpretations could lead to different results for a given PAI;

- *Coverage*: a second class of limitations relates to the coverage of a datapoint, i.e. the approximate number of issues for which the datapoint is expected to be available. Despite Sustainalytics research universe, only a fraction of (potential) portfolio companies is disclosing the metric or information that is requested by the PAI. However, we expect this limitation to ease in the future by new EU regulation that (potential) portfolio companies obligate to disclose relevant information.

3.7 EU Taxonomy

The EU Taxonomy is a regulatory classification framework designed to identify environmentally sustainable economic activities using science-driven rules and technical criteria with the aim of facilitating sustainable investments and addressing concerns about greenwashing. OBAM IM aims to invest 0-5% of the portfolio of its products and services in EU Taxonomy-aligned companies. To classify as an EU Taxonomy aligned investment, the investment:

- must substantially contribute to at least one of the six environmental objectives as outlined in the EU Taxonomy based on the EU technical screening criteria (*EU Taxonomy eligible)*;

- do no significant harm to any of the other environmental objectives; and

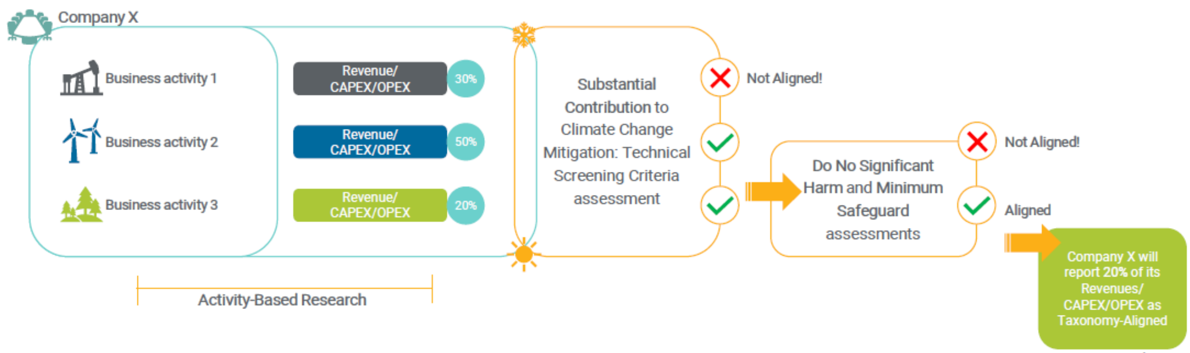
- comply with minimum social and governance safeguards (e.g. compliance with OECD guidelines and UN Global Compact Principles).

OBAM IM assessed the EU Taxonomy alignment of potential portfolio companies as part of the investment selection process. The outcome of the assessment will be documented in the sustainability report. Furthermore, OBAM IM monitors the EU Taxonomy alignment of the overall portfolio as part of the portfolio monitoring process.

3.7.1 Methodologies to measure EU Taxonomy alignment

OBAM IM has adopted the measure methodology of Sustainalytics to assess and monitor the EU taxonomy alignment of both individual portfolio companies and the overall portfolio. The outcome of the Sustainalytics assessment will be validated by OBAM IM's Portfolio Management team. In case no assessment can be provided by Sustainalytics, the Portfolio Management team will assess the EU taxonomy alignment of (potential) portfolio companies with best effort by itselves based on other data sources that OBAM IM considers reliable.

The methodology to measure the EU Taxonomy alignment consists of three steps as outlined in the figure below.



Source: Sustainalytics

3.7.1.1 Activity-based research

The first step is to identify the portfolio companies activities and to assess the degree to which portfolio companies are involved in EU Taxonomy eligible criteria using the activity-based research methodology. Different from research conducted at the company level, activities-based research interprets a company as a portfolio of business activities, rather than a monolithic entity. A company can be involved in multiple activities (in different subindustries).

The activities-based research methodology comprises two steps:

- Identify all activities of the portfolio company; and
- Assess the degree of identified activities that qualify as EU taxonomy eligible activities (activities that contribute to one of the EU Taxonomy objectives based on revenues, CAPEX and OPEX).

For the assessment, Sustainalytics and OBAM IM depend on the quality of data published by portfolio companies. In this context, OBAM IM distinguishes three cases of reported data:

- Portfolio companies who fall within the scope of the Non-Financial Reporting Directive (NFRD. These companies are mandatory to report on the EU Taxonomy eligibility and alignment of their activities. For these portfolio companies the reported data will be used;
- Portfolio companies who do not fall within the scope of the NFRD but report on their EU Taxonomy eligibility and alignment on a voluntary basis. While reported data shall be the most relevant source for these companies, estimated data are likely to play an important role here as well to fill reporting gaps or adjust imprecise reported data; and
- Portfolio companies who do not fall within scope of the NFRD and will not report on their EU Taxonomy

eligibility and alignment on a voluntary basis. For these companies, the data will be estimated.

For missing data the revenues, CAPEX and OPEX information is estimated based on non-designated information provided by portfolio companies that can be found for example in annual reports, sustainability reports or on websites. The missing data will be estimated in accordance with the following principles:

- *Estimated revenues*: estimation of revenues is needed when the disclosure from a company does not allow Sustainalytics to directly connect the financial figures to an individual activity. To address these cases, Sustainalytics has developed a methodology that allows to identify relevant revenues:
    - Pure play companies: the main issue is to avoid concluding accessory and unrelated revenues in the estimate, Sustainalytics therefore aims at re-mining non-recurrent and non-core items from reported figures;
    - Non-pure play companies estimations are mostly grounded in segment reporting.
- *CAPEX*: CAPEX disclosure tends to be less transparent than revenues disclosure and harder to tie as specific activity. Hence, the scope for estimating CAPEX is more limited than the one for revenues and is mainly focusing on avoiding overestimations:
    - For pure play companies, all CAPEX are assigned to the main activity, unless there is significant evidence against this assumption;
    - For companies reporting on segments, we distinguish two main cases: If the segment is 'pure-play', i.e. tied to a certain activity only, all CAPEX under the segment are considered. If the segment is not 'pure-play', then only CAPEX explicitly related to a certain activity (such as a declared investment in a certain renewable power plant) will be reflected in the estimate.
- *OPEX*: OPEX disclosure is generally more aggregated and, hence, harder to tie to a specific activity. This is due partially to the fact that at the activity level, disclosure of OPEX is extremely poor and difficult to interpret. Therefore, the estimation for OPEX is limited to a subset of activities and follows the same rationale and set of rules for 'pure-play' and 'non-pure play' cases as the one for CAPEX (see above).

3.7.1.2 Substantial contribution & technical screening criteria

While the identification of activities and the assessment of the degree to which companies are involved in these activities form an important fundamental building block of our EU Taxonomy Solution, the final and most important step is the assessment of the actual EU Taxonomy alignment. It is not sufficient for portfolio companies to be involved in a certain EU Taxonomy-eligible activity to achieve EU Taxonomy alignment. They also need to conduct it in a manner that respects a certain set of EU-defined requirements and standards (technical screening criteria). Sustainalytics assesses whether the identified EU Taxonomy eligible activities also qualify as EU Taxonomy aligned activities, considering the following:

- *Reported alignment*: data on alignment is reported by portfolio companies that fall within the scope of

NFRD; and

- *Estimated alignment*: data is not reported directly by portfolio companies but estimated by Sustainalytics.

3.7.1.3 Do no significant harm

The concept of do no significant harm speaks to the idea that activities, to truly contribute to one of the EU Taxonomy's environmental objectives and, hence, to the transition towards a sustainable economy, should not create negative externalities regarding the other five objectives of the EU Taxonomy.

Do no significant harm can be checked at the company level under the assumption that, once a company is acting lawfully i.e. complying with all relevant regulations, the do no significant harm objective is satisfied. A pass of the do no significant harm screening can only be concluded in the 'legislation-based' case. In the 'non-legislation based' case, only a reasonable assurance conclusion can be drawn, signaling that we have confidence that the company is not violating the do no significant harm conditions at the respective activity level, based on the fact that we haven't found a breach at the overall company level.

For the assessment, we specifically screen for high-category events, using event indicators that are mapped to the other five environmental objectives of the EU Taxonomy. While the perspective is broader than the one taken by the EU Taxonomy, at the very core these events represent the violations of environmental practices and regulations, i.e. corresponding to the idea of significant harm. If a company has a high-category event, it is assessed to be in breach of do no significant harm under the corresponding environmental objective.

To provide additional insights, Sustainalytics added a Watch signal to its conclusions: this signal is intended to highlight companies where severe breaches have not been identified, but where some caution appears appropriate in light of medium-category events and/or low management score assessments. In both of these cases, no breach has taken place, but additional due diligence is recommended. If no breach or watch signal is displayed, a given activity will receive the 'pass' or 'reasonable assurance' conclusion as described above.

3.7.1.4 Assessing minimum safeguards

The Minimum Safeguards (MS) requirements of the EU Taxonomy speak to the standards embedded in the OECD Guidelines on Multinational Enterprises (MNEs), the UN Global Compact (UNGC) and the ten UN Guiding Principles on Business and Human Rights (UNGP), with specific reference to the ILO Core Labor Conventions. The MS status reflects whether a (potential) portfolio company is violating or is at risk of violating these:

- *Pass:* activities that pass the MS screening, i.e. that are carried out by companies that are compliant for all social and governance related principles

- *Watch:* activities that have a watch signal, i.e. being either watch-listed under Compliance status screening or having a medium or high-category event within related social or governance areas; and

- *Not Eligible:* activities in breach.

3.7.1.5 Company-level conclusions

As discussed above, companies are not seen as monolithic entities in this context, but rather as portfolios of activities. This implies that the alignment profile of a given company will be fully characterized by the alignment profiles of its individual activities. For this reason, assessing companies' contribution with respect to the EU Taxonomy is equivalent to summing up the corresponding shares of aligned, not aligned and not eligible revenues, CAPEX and OPEX.

3.7.1.6 Limitations

There are two types of limitations that apply regarding the EU Taxonomy assessment:

- *Scope of the EU Taxonomy*: only for two of the six EU Taxonomy objectives technical screening criteria are already defined(climate change adaption and climate change mitigation). Therefore only activities who are substantially contributing to climate change adaption and climate change mitigation can for now qualify as EU Taxonomy aligned activities. This means that other sustainable activities will not qualify as EU Taxonomy aligned activities until the relevant technical screening criteria are published; and

- *Coverage*: a second class of limitations relates to the coverage of the data. Only large EU listed companies, EU banks and EU insurance companies are obliged to report under NFRD. Considering OBAM IM's global equity strategy not all portfolio companies are required to report under NFRD. For those companies the data will have to be estimated for now.

3.8 Sustainability assessments when a company is not covered by Sustainalytics

Sections 3.2 through 3.7 outlined OBAM IM's sustainability methodology when a company is covered by Sustainalytics. Since OBAM IM only has a license on Sustainalytics' large cap assessments, it appreciates that a Sustainalytics' sustainability assessment is not always available:

- Large cap company – Sustainalytics may not (yet) cover a large cap company, e.g. in case of an IPO;
- Small and midcap company – these are outside OBAM IM's license.

Despite the absence of a Sustainalytics' sustainability assessment, Portfolio Management is permitted to make an investment, if the following conditions are met:

- Portfolio Management prepares an own sustainability assessment, based on publicly available data and/or data via alternative sources (e.g. Bloomberg and/or research brokers[1])
    - own assessment of company's compliance with UN Global Compact Principles;

[1] In case OBAM IM uses data via alternative sources, it shall use data that has been assured and/or verified by an independent third party. That said, given the ongoing developments regarding corporate sustainability reporting, OBAM IM acknowledges that such assurance and/or verification is not always available. As part of the own sustainability assessment, OBAM IM shall indicate the data sources used, including the indication whether such assurance and/or verification was available.

- own assessment of company's main ESG risks;
- check on available data with respect to the company's CO_2 footprint;
- collection of available datapoints to each mandatory and voluntary chosen PAI; and
- check if the company reports on EU taxonomy aligned revenues.

* Portfolio Management shall document the details of the own sustainability assessment in the Sustainability Report of each investment case, including
  - what parts of the sustainability assessment were based on the public information, including specific references;
  - for what parts of the sustainability assessment no public information was available, including a best estimate and underlying argumentation for each of those parts; and
  - main ESG risks and any red flags.
* The CSO signs off on the own sustainability assessment and the Sustainability Report of each investment case.

4 Sustainable investment instruments

OBAM IM has integrated the sustainable investment strategy within the investment process by a mix of instruments. The instruments can be divided into four categories according to the objective of the instruments as outlined in the table below. The instruments will be further described in the next subsections.

Sustainability is not the only factor that OBAM IM considers during the investment selection and monitoring process. Further reference is made to the Investment Selection and Due Diligence Policy that outlines the investment selection and monitoring process in more detail.

Exclusion	Exclusion is about not investing in companies involved in business activities that are detrimental to the environment and/or society and incompatible with our sustainable investment strategy.
Screening	During our selection process, sustainability risks and opportunities are adequately considered. OBAM conducts a comprehensive sustainability due diligence for each potential investment. Within the sustainability due diligence, the ESG profile of the potential portfolio company is assessed and any red flags that should prevent us from investing in the (potential) portfolio company are identified.
Voting	By voting OBAM aims to encourage good governance principles and promote good entrepreneurship. OBAM established general voting guidelines that forms the basis for voting decisions, considering sustainability, internationally recognized best practice guidelines and material themes for investments.
Engagement	OBAM maintains an active program of corporate engagement on a wide range of social, environmental and governance issues. These engagements are designed to enhance the long-term value of our shareholdings and to foster corporate governance best practices, social responsibility, and environmental stewardship.

Table 1, overview sustainable investment instruments

4.1 Exclusion

Our exclusion policy ensures that the investment universe meets a minimum sustainability standard irrespective of the individual portfolio company's sustainability profile considering the following principles: (i) we will not invest (directly or indirectly) in sanctioned jurisdictions or companies, (ii) we will not invest in controversial industries that should be avoided because of their potential sustainability risk, and (iii) we will not invest in (potential) portfolio companies that do not comply with the UN Global Compact Principles and that are unable or unwilling to improve their behavior.. Further reference is made to Annex I that outlines the exclusion levels per industry.

4.2 Screening

During our selection process, sustainability risks and opportunities are adequately considered. OBAM conducts a comprehensive sustainability due diligence for each potential investment where the ESG profile of the potential portfolio company is assessed and any red flags that should prevent us from investing in the (potential) portfolio company are identified. Sustainable selection criteria that will be considered are:

- exclusion policy check (whether the potential portfolio company is excluded based on our exclusion policy);
- compliance with UN Global Compact Principles,
- ESG-risk score of the potential portfolio company and main ESG-risks;
- PAI-score of the potential portfolio company;
- EU-Taxonomy alignment of the activities of the potential portfolio company; and
- the contribution (both positive and negative) to SDG's.

The outcome of the sustainability due diligence will be documented in the sustainability report and is part of the investment case that will be created by the Portfolio Management team as part of the selection process.

4.3 Voting

As a shareholder of a portfolio company, OBAM IM, on behalf of the Fund(s) or its clients, has the right to vote at Annual General Meetings (AGM) or Extraordinary General Meetings (EGM). In principle. OBAM IM makes every effort to ensure a consistent exercise of voting rights linked to shares of companies included in the portfolio. However, we consider specific circumstances relating to individual companies such as geographic and regulatory differences, as well as company size.

OBAM IM established general voting guidelines that forms the basis for voting decisions, considering sustainability, internationally recognised best practice guidelines and material themes for investments. OBAM IM will normally vote in favor of proposals aimed at improving the portfolio company's governance and encouraging the portfolio company to implement policies and measures that may prevent a violation of our sustainable investment strategy. OBAM IM will vote against proposals that might lead to the opposite. Further reference is made to the Voting and Engagement Policy.

Based on the general voting guidelines, OBAM IM developed regular voting guidelines that provide detailed information on how OBAM IM will vote on the most common proxy voting items. For each item, the regular voting guidelines highlight criteria that reflect or tend towards best practices and that we actively support, as well as issues that may trigger an "against" or "abstain" vote. These factors tend to have a significant impact on our voting decisions but do not automatically imply an "against" or "abstain" vote as we consider the specific circumstances of each portfolio company.

In addition to the regular voting process, shareholders have the right to file resolutions at shareholder meetings. While management resolutions are traditionally focused on governance issues, shareholder resolutions tend to focus on environmental, social as well as governance issues. OBAM IM recognizes and supports the strong contribution that shareholders make to shaping general meeting agendas by (co)filing proposals. Shareholder proposals can relate to sustainability issues. Our sustainable investment strategy determines the parameters of our investments and is intended to minimize the sustainability risk that OBAM NV is exposed to. The additional guidelines relate to OBAM IM's voting behavior with respect to shareholder proposals that (in)directly impact our sustainable investment strategy.

4.4 Engagement

OBAM IM maintains an active program of corporate engagement on a wide range of social, environmental and governance issues. These engagements are designed to enhance the long-term value of our shareholdings and to foster corporate governance best practices, social responsibility, and environmental stewardship. Starting an engagement means entering a dialogue with a portfolio company to influence its behavior. Engagement plays a key role in the process of achieving the investment objectives. Portfolio companies have an incentive to listen to shareholders, as they are providers of capital or owners of their organization.

OBAM IM conducts different forms of engagement:

- **responsive engagements:** responsive engagements are a direct response to the action or omissions of a portfolio company making the portfolio company violating the UN Global Compact Principles or have an increased ESG-risk score. The aim of the engagement is not only to resolve the incident, but also to improve the portfolio company's future sustainability performance and risk management to ensure incidents don't occur again.

- **proactive engagements***:* proactive engagements focus on the opportunities to improve the corporate governance of the portfolio companies. Proactive engagement is conducted based on the drivers that OBAM IM has identified as material. For example, when the portfolio company has been added to our watch list.

Engagements are longer-term trajectories. At the start of the engagement, the Portfolio Management team will determine relevant objectives of the engagement. During the engagement, OBAM IM monitors whether the portfolio company makes the expected progress. If the relevant portfolio company does not, disinvestment will be considered after a period of 3 years. If it is then decided not to disinvest, that decision will be substantiated in detail

Next to engagement, OBAM IM speaks with portfolio companies on an ad hoc basis. These dialogues with portfolio companies can be opened on our own initiative or on the request of the issuer and are concentrated on our main positions in terms of assets or where we hold a significant portion of the share capital. Our preference is to engage directly with directors (chair of the board or a committee). If this is not possible, we hold meetings with the secretary of the board, Investor Relations, or the Sustainability Investment team.

5 Governance

5.1 Roles and responsibilities

OBAM IM has implemented procedures and internal controls to ensure compliance to its policies. In this approach, different teams and committees have their own specific duties and responsibilities.

5.1.1 Sustainability team

OBAM IM's Sustainability team drives the sustainability initiatives of our business operations. The Sustainability team acts as the focal point for our sustainable investment activities and delivers expertise and insights to the Portfolio Management team, who are then responsible for the integration of sustainability into their individual investment capabilities. The sustainability team consists of the CEO/CIO, acting as CSO,, a representative from the Portfolio Management team, a representative from the Commercial team and the Legal and Compliance Officer. The Sustainability team supports the CEO/CIO, as CSO, with the development and maintenance of this Policy and monitors whether the Policy is effective to meet OBAM IM's (sustainability) objectives.

5.1.2 CEO/CIO

On behalf of the Management Board, the CEO/CIO is the owner and is accountable for sustainable investing. The CEO/CIO thus takes on the role of Chief Sustainability Officer (CSO) and will involve, where necessary, its specialized subject matter experts and/or the other members of the Management Board, when performing this responsibility. The role of CSO entails steering upon, strengthening and embedding ESG considerations in the OBAM IM organisation and thereby tangibly and visibly supervise the integration thereof.

The CSO signs off on the own sustainability assessment and the Sustainability Report of each investment case, if a potential portfolio company is not covered by Sustainalytics.

5.1.3 Portfolio Management team

The Portfolio Management team is responsible for implementing the sustainable investment strategy.

5.1.4 COO

The COO (or the CFRO in his/her absence) validates (i) the exposure calculations for high and severe ESG risk scores, (ii) the weighted average ESG-risk score of the portfolio versus the benchmark, and (iii) the CO2 footprint versus the benchmark.

5.1.5 CFRO

The CFRO implements and maintains the (i) pre-trade, (ii) post-trade and (iii) end-of-day investment compliance rules that are set up as automated controls in Bloomberg AIM. These investment compliance rules include amongst others exclusions and compliance with UN Global Compact Principles.

5.2 Reporting

OBAM IM considers transparency and accountability a key aspect of fulfilling its duty as fund manager. For that reason, OBAM IM regularly reports on its sustainability activities. OBAM IM reports regarding the implementation and outcome of its sustainable investment strategy via the quarterly sustainability reports of its products and services. In addition, OBAM IM publish annually on company level its Principal Adverse Impact Statement. Both for OBAM IM and its services and products, reporting will be in line with regulatory requirements.

Annex I – Exclusion levels

Exclusion levels regarding the exclusion of industries *(percentage revenue of activities within the applicable industries)*			
	Production	Distribution	Services & Equipment
Controversial weapons	>0%	-	-
Palm oil (non-RSPO certified)	>0%	-	-
Tobacco	>0%	>10%	-
Nuclear energy	>25%	>25%	-
Tar sand, coal, fossil energy	>25%	-	>50%
Adult entertainment	>0%	>5%	-

A brief explanation of the exclusion levels that OBAM IM applies: per category, OBAM IM makes a distinction between producers, distributors and services. Producers of controversial weapons, palm oil (non-RSPO certified), tobacco and pornography are entirely excluded.

For nuclear and fossil energy, OBAM IM does not want to exclude companies that are truly in transition towards a "green and clean" business model. After all, these companies can be innovative in making this world more sustainable. For this reason, we tolerate companies that are in transition towards a sustainable business model and have a maximum of 25% of their turnover derived from nuclear and / or fossil energy.

Annex II – UN Global Compact Principles

Theme	UN Global Compact Principle	Indicator	Explanation
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	• Access to Basic Services • Community Relations • Consumer Interests • Data Privacy and Security • Employees - Human Rights • Health and Safety • Human Rights - Supply Chain • Labor Rights • Land Rights • Marketing Practices • Occupational Health and Safety • Quality and Safety • Social Impact of Products • Society - Human Rights • Water Rights	The responsibility of (potential) portfolio companies to support and respect internationally proclaimed human rights, refers, as a minimum, to the human rights contain in the International Bill of Human Rights. Furthermore, (potential) portfolio companies should comply with Chapter IV and VIII of the OECD MNE Guidelines.
	2. Businesses should make sure that they are not complicit in human rights abuses.	• Anti-Personnel Mines • Chemical and Biological Weapons • Cluster Weapons • Financing of Controversial Projects • Freedom of Expression • Involvement with Entities Violating • Human Rights • Nuclear Weapons • Sanctions • Weapons	

Theme	UN Global Compact Principle	Indicator	Explanation
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	• Freedom of Association	The responsibility of (potential) portfolio companies to support and respect labor rights, refers, as a minimum to the labor rights contain in the following guidelines of the the International Labour Organization's Declaration on Fundamental Principles and Rights at Work: • 87 and 98 (freedom of association); • 29 and 105 (abolition of forced labor); • 138 and 182 (abolition of child labor); • 100 (equal remuneration); • 111 (no discrimination); and • 131 (minimum wage fixing). Furthermore, (potential) portfolio companies should comply with Chapter V of the OECD MNE Guidelines.
	4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	• Forced Labor • Forced Labor - Supply Chain	
	5. Businesses should uphold the effective abolition of child labor.	• Child Labor • Child Labor - Supply Chain	
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	• Discrimination & Harassment	

<table>
<tr><th>Theme</th><th>UN Global Compact Principle</th><th>Indicator</th><th>Explanation</th></tr>
<tr><td rowspan="3">Environment</td><td>7. Businesses should support a precautionary approach to environmental challenges;</td><td>• Animal Welfare
• Degradation & Contamination (Land)
• Discharges and Releases (Water)
• Emissions to Air
• Emissions, Effluents and Waste
• Energy Use and Greenhouse Gas
• Emissions
• Environmental Impact of Products
• Land Use and Biodiversity
• Spills Resulting in Environmental Impacts
• Water Use</td><td rowspan="3">The responsibility of (potential) portfolio companies to adopt precautionary measures to mitigate risks related to environmental challenges. Annex I show which environmental challenges are assessed Furthermore, (potential) portfolio companies should comply with Chapter VI and IX of the OECD MNE Guidelines.</td></tr>
<tr><td>8. Businesses should undertake initiatives to promote greater environmental responsibility; and</td><td>• Promote Environmental Responsibility</td></tr>
<tr><td>9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</td><td>• Environmentally Friendly Technologies</td></tr>
<tr><td>Anti-corruption</td><td>10. Businesses should work against corruption in all its forms, including extortion and bribery.</td><td>• Accounting and Taxation
• Bribery and Corruption
• Business Ethics</td><td>(Potential) portfolio companies should comply with Chapter VII, X and XI of the OECD MNE Guidelines.</td></tr>
</table>

Annex III – PAIs

Principal adverse impact indicator	Calculation type	Description
GHG emissions	Emission	Scope 1 GHG emissions, Scope 2 GHG emissions, Total GHG emissions. This is based on absolute emissions, either reported or estimated. Multiple types of greenhouse gases are considered and expressed in terms of tons of CO_2.
Carbon footprint	Emission	Carbon footprint. This relates to the GHG emissions of the portfolio companies (relative to the value of OBAM IM's investment in that company) divided by the value of all OBAM IM's investments.
GHG intensity of investee companies	Weighted average	GHG intensity of portfolio companies. This relates to the GHG emissions of portfolio companies divided by their revenues (and relative to the value of OBAM IM's investment in that company).
Exposure to companies active in the fossil fuel sector	Involvement	Share of investments in companies active in the fossil fuel sector. This is based on the identification of companies that derive any revenues from exploration, mining, extraction, distribution or refining of various types of fossil fuels.
Share of non-renewable energy consumption and production	Weighted average	Share of non-renewable energy consumption and non-renewable energy production of portfolio companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources.
Energy consumption intensity per high impact climate sector	Weighted average	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.

Principal adverse impact indicator	Calculation type	Description
Activities negatively affecting biodiversity-sensitive areas	Involvement	Share of investments in portfolio companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those portfolio companies negatively affect those areas.
Emissions to water	Emission	Tones of emissions to water generated by portfolio companies per million EUR invested, expressed as a weighted average.
Hazardous waste and radioactive waste ratio	Emission	Tones of hazardous waste and radioactive waste generated by portfolio companies per million EUR invested, expressed as a weighted average.
Violations of UN Global Compact Principles and OECD Guidelines for Multinational Enterprises	Involvement	Share of investments in portfolio companies that are considered to be operating in violation of the UNGC principles or OECD Guidelines for Multinational Enterprises.
Lack of processes and compliance mechanism to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises	Involvement	Share of investments in portfolio companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
Unadjusted gender pay gap	Weighted average	Average unadjusted gender pay gap of portfolio companies.
Board gender diversity	Weighted average	Average ratio of female to male board members in portfolio companies.

Principal adverse impact indicator	Calculation type	Description
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Involvement	Share of investments in portfolio companies involved in the manufacture or selling of anti-personnel mines, cluster munitions, chemical weapons and biological weapons.
Investing in companies without carbon emission reduction initiatives	Involvement & Policies	The percentage of the portfolio that is exposed to companies that are involved with companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.
Lack of a human rights policy	Involvement & Policies	The percentage of the portfolio that is exposed to companies that are involved with companies that lack a human rights policy.

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