OBAM / INVESTMENT MANAGEMENT

Sustainable Investment Policy

Version 04 June 2021

OBAM / INVESTMENT MANAGEMENT

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
Focus SDGs	The SDGs to which OBAM IM/the Fund proactively wants to make a positive contribution
OECD MNE Guidelines	the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises
Policy	This Sustainable Investment Policy
Portfolio companies	Companies that are part of the Fund's portfolio
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
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 the OBAM IM, on behalf of the Fund, 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 the Fund. The Policy outlines, among others: (i) OBAM IM's Sustainable Investment Objectives, (ii) our Sustainable Investment Strategy, (iii) the methodologies, indicators and data to assess, measure and monitor the sustainability risk and impact of portfolio companies and (iv) the sustainable investment instruments to implement the Sustainable Investment Strategy in the investment processes.

This Policy outlines the sustainable investment framework of OBAM IM. Where OBAM IM manages one fund (OBAM N.V., the Fund), the framework is fully focused on the implementation of the Fund's sustainable investment strategy. Therefore, this Policy outlines (in)direct the Fund's sustainable investment framework.

2 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 the investors of the Fund. The Sustainable Investment Beliefs set the direction for OBAM IM's/the Fund's Sustainable Investment Strategy.

OBAM IM formulates the following Sustainable Investment Beliefs:

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 will be managed through a transparent, reliable, and thorough sustainable investment strategy.

ESG emphasis as a value proposition

Incorporating sound ESG parameters in our research and investment strategy will increase the value of our client'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.

Outperformance from strong business models & 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 the investors of the Fund.

3 Sustainable Investment Strategy

The Fund managed by OBAM IM promotes environmental and social characteristics, considering good governance practices, but does not have sustainable investment as its main objective.

The environmental and social characteristics that are promoted by the Fund are integrated in our Sustainable Investment Strategy. The Sustainable Investment Strategy consists of three pillars:

1. Portfolio companies should comply with our **sustainable investment principles**;
2. OBAM IM is of the opinion that **sustainability risks** could negatively impact the value of a portfolio company; and
3. OBAM IM endorses the importance of all 17 **SDGs**. OBAM IM has selected Focus SDGs to which OBAM IM/the Fund proactively wants to make a positive contribution.

The three pillars are further described in the next sub sections.

3.1 Sustainable investment 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 the companies in which OBAM IM, on behalf of the Fund, invests should comply with our sustainable investment principles.

The sustainable investment principles form the foundational layer of our Sustainable Investment Strategy. Non-compliance with the sustainable investment principles provides reputational and therefore financial risk to (potential) portfolio companies and investors. Companies that do not comply with these principles and that are unable or unwilling to improve their behaviour are excluded from the portfolio of the Fund.

Our sustainable investment principles follow 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. Furthermore, companies do not violate one of the SDGs when they comply with the UN Global Compact Principles. 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.

In accordance with the UN Global Compact Principles, OBAM IM/the Fund has adopted the sustainable investment principles clustered in four themes as outlined in the table below. The sustainable investment principles will be evaluated on a regular basis. If required, based on new market insights or regulations, the sustainable investment principles will be amended.

Theme	Sustainable investment principles	Explanation
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. make sure that they are not complicit in human rights abuses.	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[1]. Furthermore, (potential) portfolio companies should comply with Chapter IV and VIII of the OECD MNE Guidelines. Violation of the International Bill of Human Rights and/or relevant chapters of the OECD MNE Guidelines should be considered as a violation of our sustainable investment principles.
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labor; 5. the effective abolition of child labor; and 6. the elimination of discrimination in respect of employment and occupation.	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).

[1] The International Bill of Human Rights consists of the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights and its two Optional Protocols.

Theme	Sustainable investment principles	Explanation
		Furthermore, (potential) portfolio companies should comply with Chapter V of the OECD MNE Guidelines. Violation of these guidelines should be considered as a violation of our sustainable investment principles.
Environment	7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally friendly technologies.	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. Violation of these guidelines should be considered as a violation of our sustainable investment principles.
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	(Potential) portfolio companies should comply with Chapter VII, X and XI of the OECD MNE Guidelines. Violation of these guidelines should be considered as a violation of our sustainable investment principles. Furthermore, OBAM IM, on behalf of the Fund, will not invest in companies for which sanctions has been ordained by the UN, the European Union or OFAC or the Dutch authorities or who are domiciliated or established their primary business activities in a sanctioned jurisdiction.

Table 1, overview OBAM IM's/Fund's sustainable investment principles

3.2 Sustainability risks

For (potential) portfolio companies that comply with our sustainable investment principles, OBAM IM assesses their sustainability risks. 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.

OBAM IM identifies and assesses the sustainability risks of a potential portfolio company during the investment selection process and monitors the sustainability risks of a portfolio company. When the sustainability risk of a portfolio company exceeds the risk appetite of OBAM IM/the Fund, additional control measures will be considered. As an ultimate measure, OBAM IM could consider excluding a company from the portfolio of the Fund.

The sustainability risks will be assessed using an ESG-risk score. 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 higher ESG-risk score could mean that OBAM IM require a higher potential return from a (potential) portfolio company.

The ESG-risk score methodology is further described in section 5.2 of this Policy.

3.3 SDGs

The 2030 Agenda for Sustainable Development of the United Nations, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 SDGs, which are an urgent call for action by all countries - developed and developing in a global partnership. They recognize that ending poverty and other deprivations must go together with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

OBAM IM, on behalf of the Fund, endorses and promotes the importance of all 17 SDGs. During the investment selection and monitoring process, OBAM identifies whether (potential) portfolio companies violate one or more SDGs. We exclude companies that violate one or more SDGs from the portfolio of the Fund. Not only from a sustainability point of view, but also because we believe that violation of one or more SDGs could lead to both financial and reputational damage of the (potential) portfolio company.

OBAM IM has selected 5 SDGs to which the Fund wants to make a proactive contribution: quality of work (SDG 4), decent work and economic growth (SDG 8), industry, innovation and infrastructure (SDG 9) responsible consumption and production (SDG 12) and climate action (SDG 13) ("**Focus SDGs**"). OBAM IM strives to select portfolio companies who will provide a positive contribution to one of these Focus SDGs. OBAM IM also intends to encourage portfolio companies to improve their contribution to these Focus SDGs according to our Voting and Engagement Policy.

Figure 1, overview Focus SDGs

4 Methodologies and data

This section outlines the methodologies used to assess, measure, and monitor the Sustainable Investment Strategy of the Fund, 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 differs per pillar.

4.1 Assess, measure and monitor compliance with sustainable investment principles

During the investment selection and monitoring process, OBAM IM assesses whether a (potential) portfolio company complies with the sustainable investment principles as outlined in section 3.1 of this Policy.

4.1.1 Methodology to measure compliance with the sustainable investment principles

OBAM IM has adopted the measure methodology of its external sustainability data and research provider. The external sustainability data and research provider assesses and monitors a (potential) portfolio company's compliance status. The compliance status will be validated by OBAM IM's Portfolio Management team.

4.1.1.1 Compliance status

OBAM IM assesses (in cooperation with our external sustainability data and research provider) (potential) portfolio companies as Non-Compliant, Watchlist or Compliant in relation to our sustainable investment principles. The compliance status reflects whether a (potential) portfolio company is violating, or is at risk of violating, one or more sustainable investment principles:

- Compliant: a (potential) portfolio company is assessed as Compliant when it has not been determined to be causing/contributing or to be at risk of causing/contributing to severe or systemic and/or systematic violations of our sustainable investment principles.

  (Potential) portfolio companies that comply with our sustainable investment principles are subject of OBAM IM's portfolio construction. When a portfolio company is already included in the portfolio of the Fund, 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 our sustainable investment 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 the external sustainability data and research provider. The compliance outlook is an indication of the conviction of the external sustainability data and research provider 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 with our sustainable investment principles when it is determined to be causing or contributing to severe or systemic and/or systematic violations of our sustainable investment 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 the Fund's portfolio.

4.1.1.2 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 the sustainable investment principles;

- in case of violation: what is the nature of the violence (incidental or repeatedly or systematically); and
- is the (potential) portfolio company that violate one or more sustainable investment principles willing to take necessary actions to sufficiently remedying the impact?

The compliance status will be assessed and monitored by the external sustainability data and research provider on a periodic basis considering the issue indicators as outlined in Annex I.

When potential issues are identified, the external sustainability data and research provider will assess these issues to determine whether in-dept research is required. If the external sustainability data and research provider identifies information that links a (potential) portfolio company to a violation, an assessment is prepared including a proposed adjustment to the compliance status. When the assessment is published by the external sustainability data and research provider, the Portfolio Management team determines whether to adopt the assessment and the proposed (changed) compliance status of a (potential) portfolio company.

Assessment changes are reported on a quarterly basis by the external sustainability data and research provider. The external sustainability data and research provider reviews relevant companies for updates and developments during this research cycle. If the external sustainability data and research provider concludes that a (potential) portfolio company meets the upgrade criteria, the assessment will be upgraded.

4.1.2 Data(sources) used to measure compliance with the sustainable investment principles

OBAM IM appointed Sustainalytics as external sustainability data and research provider to measure compliance with the sustainable investment 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.

4.2 Assess, measure and monitor sustainability risks

OBAM IM assesses and monitors the sustainability risks of a (potential) portfolio company as outlined in section 3.2 of this Policy.

4.2.1 Methodologies to measure sustainability risks

OBAM IM has adopted the ESG-risk score methodology of its external sustainability data and research provider to assess the sustainability risks of a (potential) portfolio company. The ESG-risk score of a (potential) portfolio company will be measured by the external sustainability data and research provider. The ESG-risk score is a justment 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 the external sustainability data and research provider, the Portfolio Management will calculate the ESG-risk score with best effort by itselves 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 2, overview ESG-risk score

4.2.1.1 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 as 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 3, 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

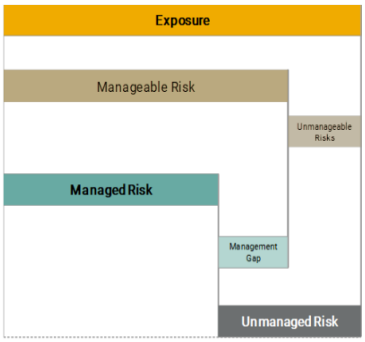
General	Environment	Human Rights	Labor	Anti-corruption		
ESG integration - financials	E&S impact of products and services	Carbon – own operations	Land use and biodiversity	Resource use	Emissions, effluents and waste	Business ethics
Resilience	Product governance	Carbon – product and services	Land use and biodiversity – Supply chain	Resource use – Supply chain	Human Capital	Bribery and corruption
Human Rights	Human Rights – Supply chain	Access to basis services	Community relations	Data privacy and security	Occupational health and safety	

Figure 4, overview material ESG issues; source: Sustainalytics

- **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.

4.2.1.2 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 5, 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. When the subindustry exposure is determined, the way a (potential) portfolio company's exposure to a material ESG issues deviates from the average exposure to that issue within its subindustry will be assessed via the beta assessment.

- **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 multiply 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.

4.2.2 Data(sources) used to measure sustainability risks

OBAM IM appointed Sustainalytics as external sustainability data and research provider to measure sustainability risks. Sustainalytics' research is based on three research cycles:

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- 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.

4.3 Assess, measure and monitor contribution to SDGs

By assessing the compliance of a (potential) portfolio company with our sustainable investment principles, OBAM IM indirectly assesses the compliance of a (potential) portfolio company with the SDGs.

In addition to the assessment of the compliance with the SDGs, OBAM IM assesses the positive contribution of a (potential) portfolio company to our Focus SDGs. Based on information collected via public disclosure, media, (semi) annual (sustainability) reports, quarterly and strategic presentations and sustainability reports provided by our sustainability data and research provider, the Portfolio Management team assesses the contribution of a (potential) portfolio company to our Focus SDGs:

- Positive contribution: (potential) portfolio companies who report about their contribution to our Focus SDGs and are transparent about the metrics used to measure the contribution are considered to provide a positive impact to our Focus SDGs;
- Non contribution: (potential) portfolio companies who do not report about their contribution to our Focus SDGs and/or are not transparent about the metrices used to measure a reported contribution are considered to provide no contribution to our Focus SDGs; and
- Negative contribution: (potential) portfolio companies who are violating one or more sustainable investment principles that are related to our Focus SDGs are considered to provide a negative contribution to our Focus SDGs. The compliance status will be assessed and monitored considering the issue indicators as outlined in Annex I.

4.4 Limitations

OBAM IM is constantly searching for sustainability data. Those data help to make better informed investment decisions and provide transparency on the impact of the investments.

Limitations regarding the used methodologies and data sources are related to a lack of data and the use of uniform taxonomy regarding sustainability risks and factors. The EU developed its EU Taxonomy that should harmonize the sustainability risk taxonomy along the EU. Furthermore, new regulations and market developments will stimulate (potential) portfolio companies to disclose more information regarding their sustainability approach. Therefore, OBAM IM is of the opinion that (potential) portfolio companies will increase their transparency regarding sustainability issues. To mitigate the effect of data limitations, OBAM IM

cooperates with an external sustainability data and research provider who are capable of developing such data and have access to more data sources than OBAM IM.

5 Sustainable investment instruments

OBAM IM has integrated the Sustainable Investment Strategy of the Fund within the investment selection and monitoring process by a mix of instruments. The instruments can be divided into three categories according to the objective of the instruments as outlined in the table below. The instruments will be further described in the next subsections.

Screening & exclusion	Screen (potential) portfolio companies on their compliance with the sustainable investment principles as outlined in section 3.1. and assess their contribution to the Focus SDGs as outlined in section 3.3.
Sustainability risk assessment	Include sustainability risks as outlined in section 3.2 in the investment decisions.
Active ownership	Exercise active ownership through voting and engagement with portfolio companies.

Table 2, overview sustainable investment instruments

Sustainability is not the only factor that OBAM IM considers during the investment selection and monitoring process. OBAM IM also considers the quality and valuation of a (potential) portfolio company as well as market and industry trends. Further reference is made to the Investment Selection and Due Diligence Policy that outlines the investment selection and monitoring process in more detail.

5.1 Screening and exclusion

Selection refers to the choice to include or exclude (potential) portfolio companies from the investment universe. OBAM IM distinguishes the following sustainability inclusion and exclusion approach:

- **Exclusion of jurisdictions and (sub)industries:** OBAM IM excludes certain industries and jurisdictions. (Potential) portfolio companies who perform their primary activities within these industries or jurisdictions are excluded from the Fund's portfolio:
    - *Exclusion of jurisdictions:* OBAM IM will not invest, on behalf of the Fund, in (potential) portfolio companies who are domiciliated and/or have their primary business activities within a jurisdiction for which sanctions has been ordained by the UN, the European Union, OFAC or the Dutch authorities.
    - *Exclusion of industries*: OBAM IM will not invest, on behalf of the Fund, in controversial industries. Within this context, OBAM IM will not invest, on behalf of the Fund, in the following (sub)industries: (i) conventional weapons, (ii) palm-oil (non-RSPO certified), (iii) tobacco, (iv) nuclear energy, (v) tar sand, coal, fossil energy and (vi) adult entertainment. The extent to which (potential) portfolio companies in these industries are excluded from the investment universe depends

on the exclusion levels set by OBAM IM. Further reference is made to Annex II that outlines the exclusion levels per industry.

- **Exclusion of individual (potential) portfolio companies:** as described in the previous sections, OBAM IM assesses whether (potential) portfolio companies comply with our sustainable investment principles. A (potential) portfolio company is assessed as Non-Compliant with our sustainable investment principles when it is determined to be causing or contributing to severe or systemic and/or systematic violations of our sustainable investment principles. (Potential) portfolio companies who are assessed as Non-Compliant are excluded from the Fund's portfolio.

- **Positive selection:** as outlined in section 3.3, OBAM IM selects Focus SDGS to which we would like to contribute on a proactive manner. (Potential) portfolio companies are carefully selected based on their contribution to the Focus SDGs. The impact that is generated by these investments will therefore contribute to achieving a safe and just world. OBAM would only select such (potential) portfolio companies in case the (potential) portfolio companies will not violate one of our sustainable investment principles and the sustainability risk of these (potential) portfolio companies is in line with the risk appetite of the Fund.

5.2 Sustainability risk assessment

OBAM IM assesses and monitors the sustainability risks of a (potential) portfolio company as outlined in section 3.2 of this Policy. OBAM IM has adopted the ESG-risk score methodology of its external sustainability data and research provider to assess the sustainability risks of a (potential) portfolio company. The ESG-risk score methodology is further described in section 4.2 of this Policy.

The sustainability risk assessment is part of:

- *the overall risk assessment that will be performed before executing a potential investment*: the overall risk assessment is part of the investment case that will be created by the Portfolio Management team as part of the selection process. The overall risk assessment outlines, among others, the ESG-risk score of a potential portfolio company. During the selection process the outcome of the overall risk assessment will be weighed against the potential investment return. In principle, a higher risk means that OBAM IM requires a higher potential return from a (potential) portfolio company.

- *the ongoing first line risk monitoring activities:* the first line risk monitoring activities will be performed by the Portfolio Management team. Regarding the monitoring of the sustainability risks, the external sustainability data and research provider monitors the ESG-risk score of the portfolio companies. The external sustainability data and research provider informs the Portfolio Management team when the external sustainability data and research provider adjusts the ESG-risk score. The Portfolio Management team validates the new ESG-risk score and determines to adopt the ESG-risk score. When the ESG-risk score increases the Portfolio Management team considers, in cooperation with

the CFRO, whether additional mitigation measures should be implemented (e.g. engagement).

5.3 Active ownership

Voting and engagement are two instruments that allow OBAM IM to promote good entrepreneurship. This commitment is an integral part of our investment process. This section high-level describes OBAM IM's voting and engagement policy. Further reference is made to the Voting and Engagement Policy.

5.3.1 Voting policy

As a shareholder of a portfolio company, OBAM IM, on behalf of the Fund, has the right to vote at Annual General Meetings (AGM) or Extraordinary General Meetings (EGM). In principle. OBAM IM votes on 100% of the holdings held by the Fund if it would apply. OBAM IM makes every effort to ensure a consistent exercise of voting rights linked to shares of companies included in the portfolio of the Fund. 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 principles. OBAM IM will vote against proposals that might lead to the opposite.

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 principles constitute the parameters of our investments and are intended to minimize the sustainability risk that the Fund is involved. The additional guidelines relate to OBAM IM's voting behavior with respect to shareholder proposals that are (in)direct impacts our sustainable investment principles.

5.3.2 Engagement policy

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 of the Fund. 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:
    - violates one of the Focus SDGs promoted by the Fund: (i) quality of education, (ii) decent work and economic growth, (iii) responsible consumption and production and (iv) climate action; or
    - violates OBAM IM's sustainable investment principles.

    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 because the portfolio company might have negative impact on our sustainable investment principles.

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.

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.

6 Governance

6.1 Internal governance

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

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, a representative from the Portfolio Management team, a representative from the Commercial team and the Legal and Compliance Officer. The CEO/CIO is ultimately accountable for sustainable investing.

The Sustainability team supports the CEO/CIO with the development and maintenance of this Policy and monitors whether the Policy is effective to meet OBAM IM's/Fund's (sustainability) objectives.

6.2 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. The policies, reports and other sustainability information disclosed by OBAM IM or the Fund are outlined in the figure below. These documents are also publicly available on the website of the Fund. Note that sustainability information is also included in the regulatory Fund documentation and investor reports.

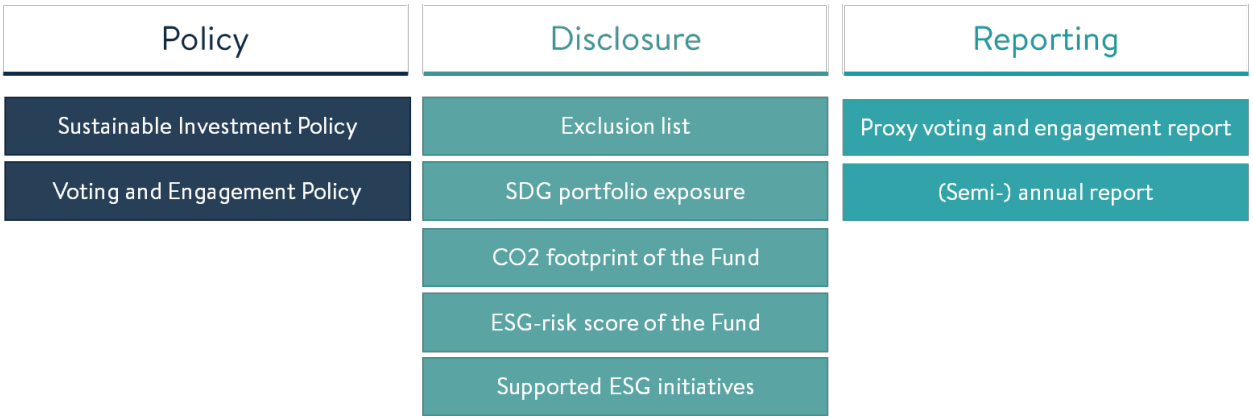

Figure 6, overview sustainability documentation

Annex I – Issue indicators to assess compliance with the sustainable investment principles

Theme	Sustainable investment principles	Indicator
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	• 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
	2. 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
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	• Freedom of Association

Theme	Sustainable investment principles	Indicator
	4. the elimination of all forms of forced and compulsory labor;	• Forced Labor • Forced Labor - Supply Chain
	5. the effective abolition of child labor; and	• Child Labor • Child Labor - Supply Chain
	6. the elimination of discrimination in respect of employment and occupation.	• Discrimination & Harassment
Environment	7. Businesses should support a precautionary approach to environmental challenges;	• 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
	8. undertake initiatives to promote greater environmental responsibility; and	• Promote Environmental Responsibility
	9. encourage the development and diffusion of environmentally friendly technologies.	• Environmentally Friendly Technologies
Anti-corruption	11. Businesses should work against corruption in all its forms, including extortion and bribery.	• Accounting and Taxation • Bribery and Corruption • Business Ethics

Annex II – Exclusion levels

Exclusion levels regarding the exclusion of industries *(percentage revenue of activities within the applicable industries)*			
	Producion	Distribution	Sevices & 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 becoming a sustainable business model, and have a maximum of 25% of their turnover derived from nuclear and / or fossil energy.

OBAM Investment
Management B.V.
Schiphol Boulevard 313
1118BJ Schiphol
www.obam.nl