TreeTop Asset Management S.A.
Sustainability related Disclosures

Sustainability risk policies

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter, the “SFD Regulation” or the “SFDR”), aims to establish harmonized rules for financial market participants concerning information to investors and potential investors on their policy relating to sustainability risks and consideration of adverse sustainability impact in their investment decision processes.

According to SFDR’s definitions TreeTop Asset Management S.A. (the “Management Company”) is a financial market participant.

“Sustainability risk” is defined in SFDR as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of one or more investments held by an undertaking for collective investment (hereafter “Fund(s)”) managed by the Management Company.

Given the extremely broad scope of this definition, most investments are exposed to varying degrees to sustainability risks.

By way of illustration, the occurrence of a sustainability risk may result in: (i) an increase in the operational costs of a company (for example as a result of the increase in the price of a natural resource due to its growing scarcity) and / or (ii) a decrease in its income (for example following a change in consumer behavior away from products deemed unsustainable). Either way, the company's profits are likely to be affected. Consideration by the market of these risks will affect the value the financial instruments issued by this company and therefore their return. It should be noted that what constitutes a sustainability risk for some companies may represent opportunities for other companies, in particular those which have been able to anticipate these changes in the environmental, social or governance field, which innovate or that meet new customer needs.

Depending on its economic activity, but also on the geographical area where it operates, a company will be more or less exposed to different types of environmental, social or governance risks. For example, a company active in the media sector will not be exposed in the same way to environmental risks as a company active in the mining sector, or two companies operating in the same economic sector but in two countries with different levels of labour law will not be exposed in the same way to social risks. From the above, it can be concluded that, as with other types of risks, diversification of investments across different economic sectors and different geographic areas helps reduce a portfolio's exposure to sustainability risks.

Quantifying the negative impacts of the often hypothetical occurrence of certain sustainability risks on the value of an investment is difficult. However the prices of listed liquid financial instruments incorporate the consensus of investors on the negative impacts, real or potential, of these risks on the value of these instruments.

A priori, the impact of sustainability risks will potentially be greater for equity stocks than for corporate bonds, unless the occurrence of such risks endangers the company's ability to issue payments of interest due or to pay borrowed principal at maturity.

The Management Company's approach to managing sustainability risks is part of its general risk management policy. The Management Company exclusively manages collective investment schemes which have the characteristic of diversifying their investment portfolio. These Funds all have the investment policy of investing in different countries, in different economic sectors and, for some, in different asset classes. Consequently,

their exposure to sustainability risks is mitigated, without excluding them, due to the diversification of their investment portfolio. The occurrence of a sustainability risk affecting the value of an instrument, an economic sector or a country should thus not affect the entire fund portfolio. In addition, these Fund mainly invest in liquid listed instruments, so that it can reasonably be assumed that relevant sustainability risks are integrated in stock market prices. However, the risks resulting from environmental, social or governance events of an exceptional or unforeseeable nature, such as for example natural disasters or pandemics, can have sudden and significant negative consequences on the value of the investments held in the portfolio.

The Management Company also implements exclusion lists in its management policy. These lists are drawn up on the basis of various external sources. The first list concerns companies included on national or supranational exclusion lists in relation to the fight against money laundering and the financing of terrorism or companies domiciled in countries included on such lists. The Management Company is prohibited from investing in securities issued by such companies. The second list aims to identify companies involved in controversial activities such as manufacturing and marketing of weapons, tobacco production, gambling, violation of human rights etc. The Management Company reviews in detail the reasons which have motivated the placement of a company by these external sources on such lists before accepting, if necessary, to invest in securities issued by a company included in this list.

ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

SFDR defines ‘sustainability factors’ as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Management Company may not take into account adverse impacts of investment decisions on sustainability factors as defined in the SFDR. At this stage, the Management Company does not take these effects into account for the following reasons:

i. On one hand, given the investment policy of the sub-funds, it is not certain at this date that the qualitative and quantitative data relating to sustainability indicators regarding the adverse impact of the Management Company’s investment decisions (on behalf of its sub-funds about environmental, social and good governance issues) are or will be publicly available for all issuers and all relevant financial instruments, and
ii. And another other hand, the costs involved in analysing these impacts (costs that would inevitably be borne indirectly by investors) appear to be excessive in relation to the benefits that would result from this analysis, in the context of the investment strategies proposed by the Management Company.

The Management Company could reassess its decision relating to adverse impacts of investment decisions on sustainability factors.