

Environmental, Social & Governance (ESG) Investment and Ownership Policy

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Approved by: Authorised Direction of Smart Private Managers (Luxembourg) S.A.

1. Background and investment beliefs

Smart Private Managers (Luxembourg) S.A. (“Smart” or “We”) manages discretionary mandates dedicated to institutional and private clients. Such mandates involve the financial management of assets through different vehicles such as collective funds (notably the management of the UCITS SICAV “Smart Value Investors” for which the sub-funds’ identification codes are indicated in the below table), insurance products or private accounts.

LU0407238897	Smart Value Investors – Patrimoine Flexible - A
LU0407593283	Smart Value Investors – Patrimoine Flexible – C
LU2038885625	Smart Value Investors – Patrimoine Flexible – I
LU0556665551	Smart Value Investors – Global Equity - A
LU0852479210	Smart Value Investors – Global Equity – C
LU20388885468	Smart Value Investors – Global Equity – I

We apply a value investment philosophy aiming to invest in securities we consider under-priced compared to our estimation of their intrinsic values. We are aware that the reduction of a discount between the market price of a security and its intrinsic value can be a multi-year process. Furthermore, we prefer to invest in high quality securities for which we hope the intrinsic value would grow year after year. A long term horizon is therefore embedded in our analysis of any security and, for equities, we view ourselves as part-owner of a company rather than holder of an abstract financial product.

Being fundamentally driven, we emphasize individual security selection through a thorough internal analysis aiming to evaluate the risk/return trade-off on any investment opportunity. As such, any factor influencing this trade off must be incorporated in any investment decision. We believe that ESG factors can have a material impact on any security¹, especially in the long timeframe applied by Smart as its investment horizon. Therefore, we integrate ESG issues in our decisions wherever they have a meaningful impact on risk/return. While we consider it is essential to include ESG issues in our investment analysis, we do not make investment decisions based solely on our ESG views. Rather, investment decisions are made after giving appropriate consideration on the investment’s risk and/or return. In our view, ESG considerations do not stop once an investment decision has been made, but is an integral part of the continual monitoring investment process.

We understand the importance of our role as stewards of our client’s assets and the fiduciary role we have towards them. We believe that long term successful development of a company and the protection of our interests as shareholders are supported by high standards of corporate governance. We seek to promote good corporate behaviours through voting and constructive open dialogue with the companies we are invested in.

¹ Notably, material impacts on long term value, reputation, ability to conduct its business profitably or repay creditors

We believe that the United Nations Principles for Responsible Investing (UNPRI) are consistent with our longstanding values and investment philosophy. We believe that our clients and the society as a whole can benefit from a more conscious and formalized approach to ESG issues by the investment community. Smart has therefore decided to be a signatory of the UNPRI and has committed itself to adhere to all of its six Principles:

- 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 entities in which we invest
- We will promote acceptance and implementation of the principles within the investment industry
- We will work together to enhance our effectiveness in implementing the Principles
- We will report on our activities and progress towards implementing the Principles.

This policy will apply to any investment decision made in the context of a discretionary management mandate and can only be superseded by specific requirements expressed directly by a client.

The Board of Directors of Smart (the "Board") will review this policy every three years from the date of adoption or at such time as the Board sees fit to revise its ESG policies and procedures. The effective implementation is the responsibility of the Investment Team led Smart's Chief Investment Officer.

2. Exclusions

a. Exclusions of government issued bonds

We will not invest directly in bonds issued by a government:

- Under EU or UN sanctions
- Considered as "not free" by the Freedom in the World index on Political rights and civil liberties issued by the Freedom House²
- Considered as "High Warning" or below by the Fragile States Index report issued by Fund for Peace³.

b. Exclusions of companies

We will not finance/invest in companies:

- That are under EU or UN sanctions
- That seriously or systematically violate their fundamental responsibilities in the areas of human rights, labour, environment or anti-corruption
- That derive more than 10% of their revenues from controversial weapons⁴
- That derive more than 10% of their revenues from the production of tobacco
- That derive more than 10% of their revenues from thermal coal extraction or unconventional oil & gas extraction⁵

² <https://freedomhouse.org/>

³ <https://fundforpeace.org/2020/05/11/fragile-states-index-2020/>

⁴ Cluster munitions, anti-personnel mines, chemical, biological or nuclear weapons, depleted uranium ammunition and white phosphorous weapons

⁵ Extraction of tar/oil sands, shale oil, shale gas and Arctic drilling

3 Investment guidelines: Listed Equities selection

In selecting equities, Smart's philosophy is to apply a fundamentally driven process supported by internal researches. As long-term investors, we view ESG issues as one of the fundamental aspects to be considered regarding the attractiveness of an investment. We consider the UN Sustainable Development Goals⁶ as a useful framework for the evaluation of those issues. We work to understand ESG issues faced by companies, their implications for corporate value and whether risks are adequately compensated. We will not make investment decisions based solely on ESG aspects, but we factor our ESG analysis in the assessment of the Risk/Return characteristics of an investment opportunity. To analyse ESG aspects, the Investment Team will rely on its internal analysis of documents provided by the companies (annual report, sustainable report, ESG policy...) as well as external sources such as RobecoSAM or Sustainalytics.

We consider ESG aspects as part of our on-going monitoring of the companies we are invested in (such as, at least, quarterly assessment of ESG scorecard) and we view active stewardship as a mean to encourage improvements in sustainability⁷.

4 Investment guidelines: Corporate Bonds selection

The limited upside and considerable downside in bonds makes the analysis of risks that could arise in the holding period as a major aspect in corporate bond selection. We consider ESG issues as a major part of those fundamental risks. ESG analysis would be performed on the issuer or its parent company (whichever is the most suitable) in the same manner as for listed equities. When assessing ESG, a particular focus will be made on governance issues, but any material environmental and social factors are taken into account.

5 Investment guidelines: Government Bond selection

Besides the exclusions mentioned before, the investment team will incorporate the World Governance Indicators ("WGI")⁸ computed by the World Bank in the evaluation of the opportunity to invest in a Government Bond. The World Governance Indicators ranks countries according to:

- Voice and accountability
- Political Stability and absence of violence
- Government effectiveness
- Regulator quality
- Rule of law
- Control of corruption

6 Investment guidelines: Counterparty selection for cash deposit

Smart has a limited list of custodian banks it works with where clients can deposit cash and securities. As per the regulation, Smart is monitoring on an annual basis the quality of those banks. Smart has also decided to include ESG aspects in this monitoring.

Should a client requests another depositary bank, ESG aspects will be incorporated in the decision by Smart to open a new banking relationship.

⁶ <https://www.un.org/sustainabledevelopment/>

⁷ Refer to "Active Ownership" section for further details

⁸ <https://info.worldbank.org/governance/wgi/#home>

7 Investment guidelines: External Funds / External Managers

ESG aspects are analysed in the selection process of any external fund / external manager and we dedicate a specific portion of the Request For Proposal to those issues. We analyse the ESG commitments (such as being a UNPRI signatory or other commitments) and the ESG policy potentially in place (and its effective application).

We monitor on an on-going basis the adherence of the external funds / external managers to their ESG commitments (such as through dedicated reporting and/or our own analysis of public audited reports).

Should the ESG policy of the external fund / external manager be less strict than our own ESG policy or ESG actual practices not satisfactory, we would enter in a constructive open dialogue with the external fund / external manager to promote ESG awareness and UNPRI.

8 Active ownership

In the context of our fiduciary duty, we have internal policies in place to prevent any conflicts of interest between our client's interests and Smart's or its staff interests.

We consider ourselves as part-owner of companies. As such, we consider active ownership as a critical part of our investment process/monitoring. We believe good corporate behaviours are fundamental in the long term success of a company and we intend to improve them.

We consider that the basis of active ownership lies in voting in General Assemblies. We will vote on any resolution where we judge we can have a meaningful impact on the outcome. Our decision to vote for or against a resolution put forth a vote will be made based on the following principles:

- One share, One vote
- Shareholders shall be provided with reasonable opportunities to propose shareholder resolutions
- The rights of minority shareholders shall be protected
- The Board, and committees on remuneration, nomination and auditing shall predominantly consist of independent members
- A transparent remuneration policy shall align the interests of management with those of long term shareholders
- Companies shall generally aim to be transparent
- Decisions on capital employment and the distribution of capital shall be taken in the best interests of long term shareholders
- Poison pills and other defence mechanisms shall generally be avoided
- Account shall be audited by independent external auditing firms, whose other relationships with the company cannot be considered to impair their independence
- Subject to the above principles, companies should aim to comply with local corporate governance standards, or explain any non-compliance.

We believe that voting in General Assemblies adds value and protect of our interests as shareholder. However, we view voting as more effective when accompanied with an open and constructive dialogue with the management and the industry the company is part of.

9 Reporting

We will report on our responsible investment activities by:

- Informing and updating our clients on our key initiatives and progress in the annual report of the SICAV where we act as manager "Smart Value Investors"
- Participating in the reporting requirements of the United Nations Principles for Responsible Investing (UNPRI)