Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors'

Financial Market Participant: Framont & Partners Management Ltd

Summary

Framont & Partners Management Ltd considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Framont & Partners Management Ltd. This statement on principal adverse impacts on sustainability factors covers the reference period from 1st January 2024 to 31st October 2024.

Principal Adverse Impacts:

Framont & Partners Management Ltd is committed to managing and reducing the PAI's of its investment decisions on sustainability factors. Through its PAI consideration process, the Company aims to promote sustainable development and contribute to a positive environmental and social impact. The Company recognizes the importance of identifying, assessing, and addressing the negative impacts of its investment decisions on environmental, social, and governance (ESG) factors. Therefore, the Company seeks to understand and identify material ESG Factors that have investment ramifications, and which can have a material impact on the investment's long-term financial performance. ESG Factors that are considered by the Company include, but are not limited to:

- Environmental: climate change; air/water pollution; biodiversity; deforestation; energy efficiency; carbon intensity; depletion of finite resources; and product evolution (energy-efficient products/renewable energy).
- Social: human rights; equal treatment and opportunities for all; unethical supply chains; severe labour controversies; brand and reputational issues; and illegal working conditions.
- Governance: transparency & integrity; inadequate management of conflicts of interests; corporate governance failures; lack of appropriate board oversight; shareholder rights; bribery and corruption; the protection of whistle-blowers; the role of the Company's administrative, management, and supervisory bodies with regard to sustainability matters; internal control and risk management systems.

Integration: The Company conducts proprietary, detailed research to understand the long-term sustainability of earnings and the risk profile of an asset class. The Company does not maintain separate ESG focused processes and does not automatically exclude investments in a particular asset class purely on ESG grounds if it is determined that such ESG risks do not pose a financial risk in the long term. Consideration of ESG Factors is integrated in the Company's investment decision making process and investment advisory process for all asset classes that it deals in with the aim of enhancing the financial outcome for its clients in the form of improved risk adjusted returns. The Company utilises external indicators available on the Bloomberg Score as well as the Bloomberg Score, MSCI Rating, and Sustainalytics Score as its macro indicators. Furthermore, the Company utilises the European ESG Template (EET).[1]

[1] The EET aims to facilitate the necessary exchange of data between product manufacturers and funds investors in order to comply with the ESG-related regulatory requirements contained mainly in the Disclosure Regulations (SFDR) and the relevant delegated acts complementing MiFID II and IDD. The template was developed under the coordination of Financial Data Exchange (FinDatEx).

<u>Negative and positive screening:</u> The Company ensure to actively engage with its clients to understand whether they have concerns about specific activities and / or industries in order to maintain such exclusions on an on-going basis. Screening is conducted on target companies/products that promote and provide solutions that are consistent with ESG Factors and aims at including such products in the portfolios that the Company manages and positively recommends.

<u>Exclusions:</u> The Company will not knowingly invest in companies involved in the following activities:

i. arms manufacturing;
ii. manufacture of tobacco;
iii. hard spirits;
iv. gambling; and
v. genetically modified organisms.

Such types of investments will be assessed on a case-by-case basis and any potential for indirect exposure is carefully considered and factored into investment selection. Furthermore, the Company carries out an assessment and obtains information of ESG Factors in respect of the individual investments in which it invests. This is done with a view to ensuring that ESG Risk is identified and appropriately managed.

Where the PAI cannot possibly be determined due to insufficient disclosure or lack of tangible data, the Company will actively engage with the target company in question, if possible, and should no commitment be made by the latter to mitigate the PAI, this matter will be factored into the decision-making process.

Description of the Principal Adverse Impacts on Sustainability Factors

Introduction:

Pursuant to EU 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 (the "SFDR"), Framont & Partners Management Ltd ("Framont" or the "Company ") is required to disclose the manner how Sustainability Factors (as defined hereafter) are integrated into the investment decisions and the assessment of the likely impacts of sustainability risks.

Framont is a UCITS and AIF Manager authorised by the Malta Financial Services Authority.

Consideration of Principal Adverse Impacts (PAIs):

The Company recognizes the importance of identifying, assessing, and addressing the negative impacts of its investment decisions on environmental, social, and governance (ESG) factors. Therefore, the Company seeks to understand and identify material ESG Factors that have investment ramifications, and which can have a material impact on the investment's long-term financial performance. ESG Factors that are considered by the Company include, but are not limited to:

- <u>Environmental:</u> climate change; air/water pollution; biodiversity; deforestation; energy efficiency; carbon intensity; depletion of finite resources; and product evolution (energy-efficient products/renewable energy).
- <u>Social:</u> human rights; equal treatment and opportunities for all; unethical supply chains; severe labour controversies; brand and reputational issues; and illegal working conditions.
- <u>Governance:</u> transparency & integrity; inadequate management of conflicts of interests; corporate governance failures; lack of appropriate board oversight; shareholder rights;

bribery and corruption; the protection of whistle-blowers; the role of the Company's administrative, management, and supervisory bodies with regard to sustainability matters; internal control and risk management systems.

Integration: The Company conducts proprietary, detailed research to understand the long-term sustainability of earnings and the risk profile of an asset class. The Company does not maintain separate ESG focused processes and does not automatically exclude investments in a particular asset class purely on ESG grounds if it is determined that such ESG risks do not pose a financial risk in the long term. Consideration of ESG Factors is integrated in the Company's investment decision making process and investment advisory process for all asset classes that it deals in with the aim of enhancing the financial outcome for its clients in the form of improved risk adjusted returns. The Company utilises external indicators available on the Bloomberg Score as well as the Bloomberg Score, MSCI Rating, and Sustainalytics Score as its macro indicators. Furthermore, the Company utilises the European ESG Template (EET).[2]

- **Equity & Bond Asset Classes**

For Equity and Bond asset classes, the Company considers three different ESG Indicators as follows:

ESG Indicators	Score
Bloomberg ESG score	da 1 a 10
MSCI Rating	da CCC a AAA
Sustainalityc Score	0 to 10 Negligible Risk 10 to 20 Low Risk 20 to 30 Medium Risk 30 to 40 High Risk 40 to 100 Severe Risk

The combination of the three indicators provides an average valuation on ESG procedures of the company in question.

- **Funds, ETF, ETP, & ETC**

For funds, the Company compiles an SFDR evaluation in line with the below based on the analysis of the EET v.1.1 and v.1.1.2 tracings.[3]

SFDR CLASSIFICATION

Art.	Description
0	Not classified in SFDR
6	*Financial products that do not promote environmental or social characteristics: These are traditional financial products that do not have specific sustainability objectives*
8	*Financial products that promote environmental or social characteristics: These products integrate environmental or social considerations into the investment process, in addition to financial return objectives*
9	*Financial products with a sustainable investment objective: These products have the primary objective of achieving a sustainable investment outcome*

[2] The EET aims to facilitate the necessary exchange of data between product manufacturers and funds investors in order to comply with the ESG-related regulatory requirements contained mainly in the Disclosure Regulations (SFDR) and the relevant delegated acts complementing MiFID II and IDD. The template was developed under the coordination of Financial Data Exchange (FinDatEx).

[3] https://findatex.eu

Accordingly, SFDR evaluations related to the Company's securities are classified as Low, Medium, or High for sustainable investment objectives.

Negative and positive screening: The Company ensure to actively engage with its clients to understand whether they have concerns about specific activities and / or industries in order to maintain such exclusions on an on-going basis. Screening is conducted on target companies/products that promote and provide solutions that are consistent with ESG Factors and aims at including such products in the portfolios that the Company manages and positively recommends.

Exclusions: The Company will not knowingly invest in companies involved in the following activities:

vi. arms manufacturing;
vii. manufacture of tobacco;
viii. hard spirits;
ix. gambling; and
x. genetically modified organisms.

Such types of investments will be assessed on a case-by-case basis and any potential for indirect exposure is carefully considered and factored into investment selection.

Furthermore, the Company carries out an assessment and obtains information of ESG Factors in respect of the individual investments in which it invests. This is done with a view to ensuring that ESG Risk is identified and appropriately managed.

Where the PAI cannot possibly be determined due to insufficient disclosure or lack of tangible data, the Company will actively engage with the target company in question, if possible, and should no commitment be made by the latter to mitigate the PAI, this matter will be factored into the decision-making process.

Description of Policies to Identify and Prioritise Principal Adverse Impacts on Sustainability Factors

Product Governance Policy:
The Company maintains a Product Governance Policy, which outlines the processes, which Framont & Partners Management Ltd follow to meet its regulatory requirements under the Markets in Financial Instruments Directive which are transposed in the MFSA's Conduct of Business Rulebook. In addition, the Policy is also reviewed and updated in line with the latest MiFID II Product Governance Guidelines published by ESMA. The Company undertakes to comply with its product governance requirements in a way that is appropriate and proportionate, taking into account the nature of the investment product, the investment service and the product's target market.

The Company's product governance requirements apply to manufacturers and distributors of investment products as defined by the Policy. For each financial instrument in its product assortment, the Company shall assess whether it falls under the manufacturer or distributor category.

Manufacturers:
When acting as a manufacturer of products, the Company shall:

1) ensure that the financial instrument it manufactures is designed to meet the needs of an identified target market of end clients within the relevant category of clients;
2) ensure that the strategy for distribution of the financial instrument is compatible with the identified target market; and

3) take reasonable steps to ensure that the financial instrument is distributed to the identified target market.

Distributors:
When acting as a distributor, the Company shall:

1. understand the financial instruments it distributes to clients;
2. assess the compatibility of the financial instruments with the needs of the clients to whom it distributes investment services, taking into account the manufacturer's identified target market of end clients; and
3. ensure that financial instruments are distributed only when this is in the best interests of the client.

Remuneration Policy:
The Framont remuneration policy provides for a fixed remuneration. No variable remuneration shall be paid to Identified Staff, as defined in the Framont Remuneration Policy unless it is determined to be justified by a decision of the board of directors following a performance assessment based on quantitative (financial) as well as qualitative (non-financial) criteria. In view of the very limited impact of the variable remuneration of the Identified Staff on the risk profile of the CISs and the nature of the business of the Company, including, where applicable, the delegation of the investment management function of some CISs to other third-party entities, the Company deems that there is no risk of misalignment with the integration of the sustainability risks to the investment decision making process of the Company in respect of the CISs.

Third Party Investment Managers:
If the Company delegates portfolio management activity to a third-party investment manager (the "delegate"), such delegate shall ensure that it adopts remuneration policies and procedures which are consistent with the integration of sustainability risks, provided sustainability risks are integrated into the investment decision-making process. The Company shall seek periodic confirmations from each delegate that these policies are being complied with and the remuneration structures are not encouraging excessive risk-taking with respect to sustainability risks and remuneration is limited to risk adjusted performance.

The Company believes that, where portfolio management is retained, its existing structures are sufficient to prevent excessive risk taking in respect of sustainability risks.

Engagement Policies:

In line with the Company's commitment to responsible investment, the Company engages with stakeholders, including investee companies and policymakers, to promote sustainable practices and mitigate PAIs.

Here below a summary of the Company engagement with respect to the 14 core indicators, as mentioned in the Sustainable Finance Disclosure Regulation (SFDR):

Climate and other environment-related indicators:	Company Assessment

GHG emissions (Scope 1, 2, and 3, and total GHG emissions)	Low due to the <20 number of employees and digitalization of most of the processes
GHG intensity of investee companies	Low due to the <20 number of employees and digitalization of most of the processes
Share of investment in companies active in the fossil fuel sector	N/A
Share on non-renewable energy consumption and production	100%
Energy consumption intensity per high-impact climate sector	N/A
Activities negatively affecting biodiversity - sensitive areas	N/A
Emissions to water	Low due to the <20 number of employees
Hazardous waste ratio	Low due to the <20 number of employees
Social and employee matters, respect for human rights, anti-corruption and anti-bribery matters:	**Company Assessment**
Violations of UN Global Compact Principles and Organizations for Economic Cooperation and Development (OECD) guidelines for multinational enterprises	Nothing to report
Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises	N/A – <20 number of employees
Unadjusted general pay gap	Nothing to report – the Remuneration Officer monitors employees remunereation on a yearly basis
Board gender diversity	Already in place since 2017

Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	N/A

References to International Standards:

The Company adheres to the objectives of the Paris Agreement and internally implements various measures, which are aimed towards the fulfilment of such objectives namely, the appointment of women on boards of directors, the preparation of digital board meeting packs since 2019, and the leasing of Company PCs since 2024.

Statement in compliance with article 5 of the Sustainable Finance Disclosure Regulation ("SFDR").

Article 5 of SFDR states that financial market participants and financial advisers shall include in their remuneration policies, information on how such policies are consistent with the integration of sustainability risks and shall publish that information on their websites.

A sustainability risk is defined as an environmental, social or governance event, which if it occurs, causes a material negative impact on the value of the investments held by the Collective Investments Schemes ("CISs") managed by Framont & Partners Management Ltd ("Framont" or the "Company"). SFDR principles are enshrined in the Framont Remuneration Policy.

Remuneration Policy:
The Framont remuneration policy provides for a fixed remuneration. No variable remuneration shall be paid to Identified Staff, as defined in the Framont Remuneration Policy unless it is determined to be justified by a decision of the board of directors following a performance assessment based on quantitative (financial) as well as qualitative (non-financial) criteria. In view of the very limited impact of the variable remuneration of the Identified Staff on the risk profile of the CISs and the nature of the business of the Company, including, where applicable, the delegation of the investment management function of some CISs to other third-party entities, the Company deems that there is no risk of misalignment with the integration of the sustainability risks to the investment decision making process of the Company in respect of the CISs.

Third Party Investment Managers:
If the Company delegates portfolio management activity to a third-party investment manager (the "delegate"), such delegate shall ensure that it adopts remuneration policies and procedures which are consistent with the integration of sustainability risks, provided sustainability risks are integrated into the investment decision-making process. The Company shall seek periodic confirmations from each delegate that these policies are being complied with and the remuneration structures are not encouraging excessive risk-taking with respect to sustainability risks and remuneration is limited to risk adjusted performance.

The Company believes that, where portfolio management is retained, its existing structures are sufficient to prevent excessive risk taking in respect of sustainability risks.