SUSTAINABILITY RISK POLICY

Company: STILGAR Asset Management SAS
Headquarter: 64 rue de La Rochefoucauld, 75009 Paris RCS Paris: 106 686 686

Version: 1.1
As of 01/09/2026

INTRODUCTION

In accordance with Article 3 of Regulation (EU) 2019/2088 ("Disclosures" or "SFDR") and Article L. 533-22-1 of the French Monetary and Financial Code (CMF) (derived from Article 29 of the Energy-Climate Law), financial market participants publish information on their website regarding their policies on the integration of sustainability risks in their investment decision-making process, including, for French participants, risks associated with climate change as well as biodiversity-related risks.

The objective of this policy is to enhance transparency on how financial market participants integrate relevant sustainability risks—whether material or likely to be material—into their investment decision-making processes.

The policy is based on the principle of double materiality:

- Sustainability risk: Impact of external events on product performance (How is the potential impact of external events on the financial product's return integrated into the risk management policy?).
- Adverse sustainability impacts: Impact of investments made on external sustainability factors (How does the entity ensure that investments made do not cause significant harm to environmental and social objectives?).

DEFINITIONS

1. Sustainability Risk

A sustainability risk refers to an environmental, social, or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.

Sustainability factors mean environmental, social, and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

In their sustainability risk policy, made public pursuant to Article 3 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector and amending Directive (EU) 2016/2341, portfolio management companies include information on risks associated with climate change as well as biodiversity-related risks.

2. Environmental Risks (Climate Change)

- **Physical risks**, which result from damage directly caused by weather and climate phenomena, such as:
  - Loss of value of investments held by managed and advised portfolios and issued by entities affected by these climate events;
  - Increase in the frequency and cost of claims payable by insurers to policyholders;
  - Climate change or biodiversity loss are integrated into this risk.

- **Transition risks**, which result from adjustments made towards a transition: exposure to developments driven by the ecological transition, notably environmental objectives defined by the Taxonomy Regulation, particularly when these are poorly anticipated or occur abruptly. These risks are linked, for example, to:
    - Asset write-downs following regulatory changes that penalize or even prohibit certain activities deemed to generate excessive greenhouse gas (GHG) emissions;
    - Losses following the termination of certain financed activities deemed excessively polluting or GHG-emitting;
- **Induced liability risks** (legal and reputational risks), linked to the financial impacts of compensation claims against financed companies by those suffering damage due to climate change, such as:
    - Investments funding the development of polluting or highly GHG-emitting industries and activities;
    - Professional insurance, general liability, infrastructure construction.

3. Social Risk

Social risk concerns the analysis of the company's relationship with its stakeholders: employees, clients, suppliers, and civil society. It notably includes employee health and safety protection, non-discrimination, employee well-being, respect for human rights within the supply chain, as well as the company's philanthropic approach, relations with local communities, customer satisfaction, etc.

4. Governance Risk

Governance risk encompasses executive management competence, CEO remuneration structure and legitimacy, and the existence of checks and balances. The evaluation of this latter point involves analyzing board composition, alignment of directors' profiles with company needs, their independence, respect for minority shareholders, business ethics, and company commitment to CSR issues.

5. Principal Adverse Sustainability Impacts (PAI)

Principal adverse sustainability impacts (PAI): impacts of investment decisions that result in material or likely material negative effects on sustainability factors (environmental, social, and employee matters, respect for human rights, anti-corruption, and anti-bribery matters).

MAIN ESG AND SUSTAINABILITY RISKS (ART. 3 SFDR AND ART. 29 LEC)

STILGAR ASSET MANAGEMENT reviews its exposure analysis every 3 years.

6. Main Environmental Risks (Climate Change)

Risks	Sub-risks	Probability	Horizon	Impact
Physical risks	Pollution risks, transition risks related to energy regulations, risks related to water quality degradation, asbestos risks, flood risks, sea level rise risks, risks of accelerated biodiversity loss	Moderate	Short to long term (1 to 10 years and beyond)	**Moderate to High** (Revenue loss, increased operating costs, and destruction of issuers' physical assets)
Transition risks	Transition risks related to energy or climate change regulations	High	Short to medium term (1 to 5 years)	**High** (Rapid drop in stock market valuations of

				carbon-intensive sectors, margin contraction for slow-transitioning issuers)
Liability risks	Risks associated with activities presenting litigation risk	Low to Moderate	Short to medium term (Continuously sharply increasing)	**Moderate** (Legal fees, record fines, and credit/ESG rating downgrades leading to massive sell-offs of the security)

7. Main Social and Poor Governance Risks

Risks	Sub-risks	Probability	Horizon	Impact
Human Capital & Labor Relations	- Risks of major labor disputes, strikes, or talent shortages (e.g., tech, logistics, or healthcare sectors). - Non-compliance with occupational health and safety (e.g., subcontractor factories in emerging markets).	Moderate	Short to medium term (1 to 5 years)	**Moderate** (Lower productivity, increased labor costs, delivery delays, and erosion of issuer margins).
Human Rights & Supply Chain	- Violations of core ILO conventions or complicity in forced labor / child labor.	Moderate	Short to medium term	**High** (Immediate exclusion of the security by global ESG managers, border blockages, supply flow disruptions, and destruction of market value).
Product Social Responsibility	- Data security breaches and customer privacy violations (e.g., Tech or Finance giants). - Recall of defective or health-hazardous products (e.g., pharmaceutical or automotive sector).	High	Short term (Unpredictable / Frequent cyberattacks)	**High** (Record regulatory fines, massive loss of clients, and sharp stock price drop).
Business Ethics & Anti-competitive Practices	- Corruption scandals, money laundering, or aggressive tax optimization (e.g., banking sector, large multinationals). - Abuse of dominant position or unlawful cartels.	Moderate	Short term (Whistleblower revelations or regulatory investigations)	**High to Very High** (Massive financial penalties from international regulatory authorities such as SEC/DoJ/European Commission, and loss of investor confidence).
Power Structure & Balance	- Lack of Board independence, excessive power concentration (e.g., combined CEO/Chairman without checks and balances), or failure to respect minority shareholder rights.	High	Medium to long term	**Moderate** (Structural underperformance of the stock, governance discount applied by financial markets).
Compensation & Alignment of Interests	- Remuneration policies disconnected from actual performance or long-term	High	Medium term	**Low to Moderate** (Negative votes by fund managers at General

	objectives (including the absence of ESG criteria in executive bonuses).			Meetings (Say on Pay), damage to corporate reputation).

CONSIDERATION OF PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS (ART. 4)

STILGAR ASSET MANAGEMENT takes into account the principal adverse impacts of its investment decisions on sustainability factors.

STILGAR ASSET MANAGEMENT takes into account the principal adverse impacts of its investment decisions on sustainability factors through its:

- Exclusion policy (see III.8)
- ESG scoring methodology (see III.9)
- Engagement and voting policy (see IV.3)

8. Exclusion

The fund applies a dual filter to identify and mitigate PAIs:

Normative exclusions:

The fund excludes issuers that violate the following principles:

- the ten principles of the United Nations Global Compact;
- the fundamental conventions of the International Labour Organization (ILO);
- the OECD Guidelines for Multinational Enterprises;
- the United Nations Guiding Principles on Business and Human Rights.

Also excluded are:

- issuers subject to severe ESG controversies, according to internal methodology and/or data from specialized providers;
- issuers domiciled in jurisdictions listed on the European Union list of non-cooperative jurisdictions for tax purposes, subject to a proportionality analysis based on the type of exposure;
- issuers appearing on international sanctions lists or exposed to high-risk anti-money laundering or counter-terrorist financing frameworks, notably with regard to FATF lists, when this exposure compromises investment eligibility.

Sectoral exclusions:

The fund excludes sectors with proven negative impact, such as:

- Thermal coal (mining and power generation).
- Tobacco (production and marketing).
- Controversial weapons (anti-personnel mines, chemical weapons, etc.).

These exclusions immediately eliminate issuers presenting major PAIs (e.g., high CO_2 emissions, human rights violations). Refer to the Exclusion Policy for the complete list.

9. Detection of Severe Controversies

Stilgar AM identifies whether securities are exposed to severe controversies regarding environmental, social, and governance issues, or to a critical risk of serious violation of the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. This step contributes to the identification of adverse impacts.

10. Integration of PAIs into Proprietary ESG Rating

STILGAR ASSET MANAGEMENT's ESG scoring methodology (see III.9_ESG Methodology) describes the proprietary ESG (Environmental, Social, and Governance) rating process applied by the Management Company to evaluate issuers (listed companies) within its investment universe.

A mapping table connects the criteria comprising the score with 13 PAIs, listed in the appendix of the methodology.

The scoring includes a penalty mechanism applied to ESG ratings in the event of confirmed PAIs.

11. Consideration of PAIs in Shareholder Engagement

As part of its engagement and voting policy (see III.8), Stilgar Asset Management takes PAIs into account in its dialogue with issuers.

STILGAR ASSET MANAGEMENT publishes on its website a statement on its due diligence policies concerning the principal adverse impacts of its investment decisions on sustainability factors.

NOTE

This summary presentation aims to clarify the essential principles and mechanisms of Stilgar AM's sustainability risk procedure. The complete (non-public) internal document details all applicable provisions.