capital at work
Wealth Management Foyer Group

Socially Responsible Investment Methodology

March 2021

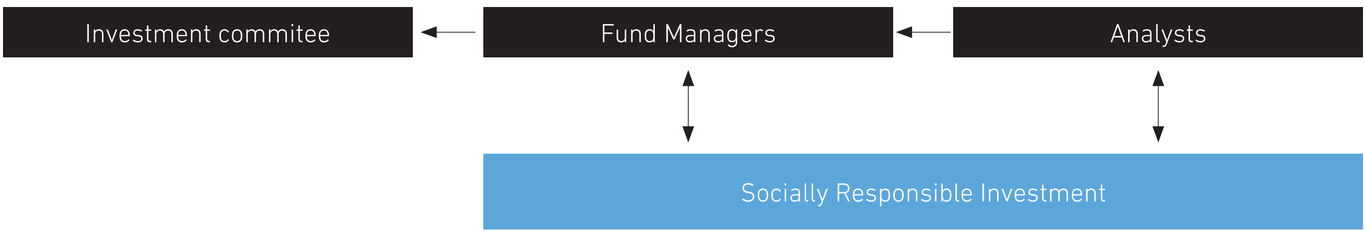
CapitalatWork's Methodology

During our investment analysis, we look at different factors that have the potential to influence the future of the company mainly through financial characteristics. Although we were already considering them implicitly, we acknowledge extra-financials criteria can be positively associated with a company's reputation, operations, productivity, and consequently financial performances. High achievements in ESG have a tendency to reduce the overall volatility within a company as they are positively associated with ethical behavior, respect of the community and the environment, and proper business practices. More specifically, a company implementing responsible policies will most likely exhibit higher transparency regarding its operations and will therefore be more exposed to the public in the large sense. For that reason, it is in their own interest to remain on track and limit potential divergences from their principles as the reputational and financial consequences can be important.

The expected lower volatility linked to superior ESG factors described above fits perfectly within CapitalatWork's investment philosophy as we seek to limit risk for our clients. Additionally, we believe that ESG-conscious companies act to a certain extent towards more efficiency and more fairness. We believe investing in such companies as promoting good practices while staying within our core business.

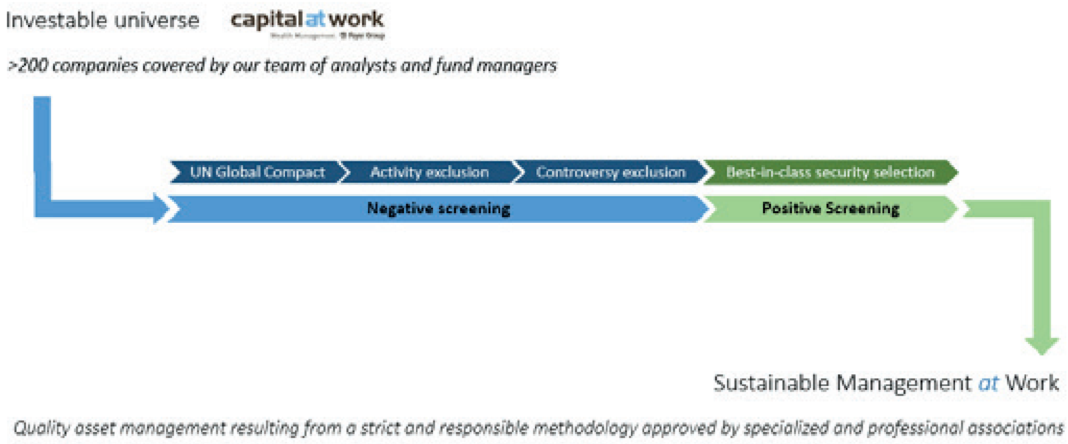
1. Socially Responsible Investing Governance

The organigram below depicts the way Socially Responsible Investing has integrated our investment process. As part of our daily operations, we have internally developed an ESG expertise that stands in-between the fund managers and analyst department, benefiting from the skills and knowledge of both. Overseeing the operation, our ESG specialists and more specifically their processes are monitored by both internal and external periodical audits where the quality and validity of the method is assessed.



2. Socially Responsible Investing Methodology

A. Companies
Building an SRI portfolio following our methodology involves several steps. CapitalatWork's universe consists of around 200 companies worldwide covered by our analysts. From there on, different screening are applied to assess the eligibility of the issuers (as depicted in the figure below). First, companies are screened negatively on 3 criteria: UN global compact, undesirable sectors and controversies. Companies involved in controversial matters are flagged and excluded from consideration until their issues have been resolved. Secondly, we pick the best-in-class players, or the companies exhibiting the strongest extra-financial performance.



The following issues are not currently part of the ESG analysis: biodiversity, water use and forward contracts on agricultural commodities.

2.1 Norm Based Exclusion

The UN Global Compact is a United Nation initiative that encourages businesses worldwide to adopt and promote sustainable and socially responsible policies. The initiative also encourages the participants to report the implementation of their policies and widespread good practices among all industries. Started in 2000, the main guidelines follow 10 principles (described in the document "Policy on controversial activities") that act as the basis to meet fundamental responsibilities relying on **Human Rights**, **Labor Rights**, the **Environment** and **Anti-Corruption**.

An essential point for CapitalatWork is that the companies we invest in do not represent threats to any of the topics mentioned above. We therefore exclude companies that breach, in any way, any of the 10 principles defined by the Global Compact.

2.2. Activity and Controversy Exclusions

Activity exclusions

CapitalatWork wishes to restrain its investments in companies that operate or are involved in industries that we consider inadequate. Several sectors are especially notorious for the harm they have caused to individuals or the environment and supporting them would not make sense to us. However, we realize that some nations and populations are dependent on those activities and we encourage the establishment of the right policies as a necessary way to prevent further physical or moral damages.

As a second negative screening criteria, we exclude from our investments companies having a direct involvement in the following industries as being too harmful by nature:

Artic Oil and Gas Shale Energy	Extraction – **Full exclusion**
Oil Sands	Extraction – **Full exclusion**
Controversial Weapons1 [1]	Production – **Full exclusion**
Thermal Coal	Extraction – **Full exclusion** Power Generation >10% of revenues
Nuclear	Production and Distribution – **Full exclusion** Supporting Products and Services >5% of revenues
Tobacco	Production – **Full exclusion** Tobacco-related product and services >25% of revenues Retail >25% of revenues
Pornography	Production – **Full exclusion** Distribution > 10% of revenues
Military Contracting	Production and distribution of weapon-linked >5% of revenues Production and distribution of non-weapon-linked >10% of revenues
Conventional Oil & Gas	Supply of natural gas or renewable energy < 40% of revenues
Electricity Generation	Carbon intensity >493gCO^{2}/kWh **or** Coal production >10% of rev O&G production >30% of revs Nuclear production >0% of revs
Alcoholic Beverages	Existence of a Corporate Responsible Policy
Gambling	Existence of a Corporate Responsible Policy

[1] Includes nuclear weapons, biological weapons, chemical weapons, non-detectable fragments, blinding laser weapons, anti-personnel mines, cluster munitions, incendiary weapons and depleted uranium ammunition

[2] Max carbon intensity of 393gCO^{2}/kWh in 2021, 374 gCO^{2}/kWh in 2022, 354 gCO^{2}/kWh in 2023, 335 gCO^{2}/kWh in 2024, 315 gCO^{2}/kWh in 2025

Controversy Exclusions

CapitalatWork wants to ensure that the companies we invest in are not involved in controversies at an environmental, social or governance level. Controversies, as diverse as they can be, have a first **direct and negative impact** on the affected parties, who can be **customers**, **employees**, a **population**, **wildlife**, an **ecosystem**, etc. The second effect is the repercussions of the controversies on the **company's operations and reputation**. Should those be severely harmed, **the financial performances and credibility** would ultimately be affected, which would then be reflected in the market value of the company. For those reasons we don't invest in high controversies companies, which in turn should reduce expected volatility.

Controversies are assessed on the following main topics

Environmental

- Environmental Supply Chain Incidents
- Operations Incidents
- Product and Service Incident

Social

- Customer Incidents
- Social Supply Chain Incidents Employees Incidents
- Society and community Incidents

Governance

- Governance Incidents
- Public Policy Incidents
- Business Ethics Incidents

The controversies are assessed through the following process. When an incident has been detected as being ESG relevant, it is classified in one of the categories listed above and the news (and therefore the company) is attributed a rating from 1 to 5 (1=low impact and 5=severe impact). Each company is then given a general score, which is the highest level of controversy reached among the ones that are currently linked to it, if any. This process ensures significant controversies do not go unnoticed. An additional analysis determining whether the outlook of any controversy is rather positive (high chances to be solved), neutral, or negative (low chances to be solved) helps understand the significance of the controversy.

CapitalatWork excludes companies with a level 5 of controversy, and reviews on a case-by-case basis whether or not to exclude companies with a level 3 and 4, significant and high. During the review process of level 3 and 4 controversies, we investigate on the fundamentals of the controversy, the intensity, and the parties involved. We then decide to remain invested or not in the company depending on the materiality of the controversy's impact.

We believe this last negative exclusion criterion is essential to reduce the risk linked to dishonorable entities and shelter our investments from unexpected inappropriate corporate conduct and potential valuation repercussions.

2.3. Best in Class Security Selection

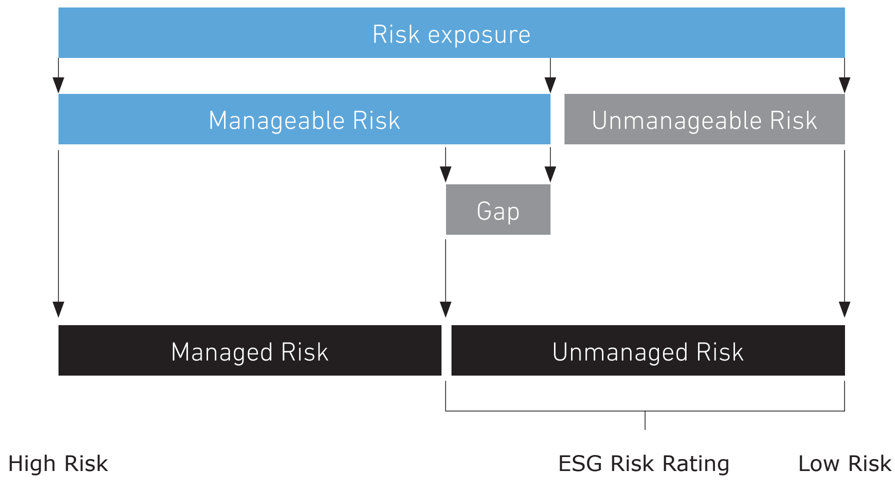
After negative screening involving the exclusion of undesired companies, the second major step of the portfolio construction involves picking the best performers in term of sustainability, aka the best-in-class security selection. As our goal is to maximize risk-adjusted returns, we believe strong responsible players are more likely to have lower volatility in their revenue streams and balance sheets. Indeed, this can have the potential to boost their financial performances ultimately reflected in their stock price.

Each company is given an individual **ESG risk rating**, which evaluates the way a company addresses the different risks linked to **material ESG matters**. The rating is created in the following way:

1. First, each company's exposure to **material ESG issues** is determined. The "materiality" aspect is important as some aspects of ESG can be material for some companies while completely irrelevant for others (corporate governance is evaluated for every company). This method enables us to focus on key issues linked to each company's industry and sensitivity.
2. Second, the amount of risk of the exposure that is manageable is identified, categorizing the rest as unmanageable risk.
3. Third, the amount of manageable risk that is actually managed is identified, categorizing the rest as the management gap (manageable but not managed).
4. Fourth, adding the management gap (3.) to the unmanageable risk (2.) provides the unmanaged risk.

The resulting unmanaged risk is translated into a score from 0 (best) to 100 (worst), although an ESG risk rating score above 30 already indicates high risk. We set our minimum investment standard at 30, meaning that we do not invest in companies having an ESG risk rating of 30 or above. This method enables us to primarily select companies that exhibit low idiosyncratic risks due to high ESG standards and practices.

As we aim to build our portfolio with the best performers in terms of sustainability, we also determined that we would only invest in the best 40% companies of an industry. For that, we use a comparative ranking that each company gets according to their sub-industry peers' risk rating. Each company is therefore ranked in a percentile ranging from the 1st to the 100th (e.g. in this case, being ranked in the 30th percentile means that the company is within the best 30% of its industry). We therefore only consider companies that have a percentile ranking below the 40th.



B. Countries

Investments in sovereign bonds are characterised by issuers with a high quality, democratic and fair regime. We don't finance countries that violate basic principles like those mentioned in the UN Global Compact. We limit our investment to OECD member countries, exclude countries considered as being tax heavens and exclude issuers with substantial sanctions as defined by the United Nations and the European Union. A case-by-case analysis of democracies applying the death penalty will be carried out.

3. External Resources

Having recently entered the ESG field, we believe that supplementing the in-depth analysis we conduct on each investment case on financial and extra-financial data with third-party assistance is a significant added value. For that reason, we decided to work in collaboration with and get our ESG data from Sustainalytics, an expert in ESG research. Founded in 1992, Sustainalytics is considered as one of the highest-quality ESG data provider in Europe with more than 200 analysts covering 11.000 companies.

Many other traditional research providers have also recently started to dig in and provide extra-financial data mainly along an ESG structure. We therefore regularly get supplemental and diversified research from acknowledged entities within the industry. This is especially helpful as each of them work with different metrics and KPIs (Key Performance Indicators) and consider many different aspects of sustainable development.

4. Divesting Policy

As detailed above, our investment methodology entails divesting from fully priced company to maximize our returns. In the event that a company is not fully priced yet but one of the extra-financial factors drives the company to exclusion (eg. ESG risk rating above 30, controversy level rises to 5, etc), we allow the fund manager six months before entirely divesting the position. There are many reasons for the revision of one of the ESG criteria. It can be either the emergence of a scandal, a lack of reporting, peers reaching higher ESG risk ratings, and so on. Consequently, some events can have an unprecedented negative impact on the stock price of that company. Applying this strategy enables the fund manager to minimize the potential loss, if any, and opportunistically exit the position at a more suitable time within the specified period.

5. Voting and Engagement

As we wish to always act in the best interest of our clients, we also have to reflect their positioning in the voting process of listed companies. Although our primary intention is not to influence the board of the issuing companies, CapitalatWork would ensure each vote acts in the best interest of the shareholders by protecting their rights and is in line with CaW Code of Conduct which promotes transparency, integrity and avoid any conflicts of interest should we vote. All data about the voting process would then be communicated to our compliance department, in particular the evidence that decisions have been taken in the best interest of our clients. Any major event that affected our clients’ best interest would be subject to client communication.

We are currently considering the elaboration of ESG-compliant proxy voting and engagement policies through third party services. Such an arrangement would ensure our clients’ and our own interests are respectfully represented. It would furthermore ensure that all significant decisions are thought through by the best-suited professionals acting on our behalf.

This Socially Responsible Investment Methodology is what we believe to be our way of promoting righteous corporate conduct while remaining within our primary focus of creating value. We will continuously improve our transparency through different monitoring and reporting processes in order to keep our clients informed about our developments and act as the supporter of sustainable investing. We acknowledge that the financial world is evolving and that our Socially Responsible Investment Methodology will have to be updated over time to reflect our transforming views.

The management of CapitalatWork

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