Value Tree Umbrella SICAV ESG policy undertaken by Value Tree S.A. as part of its role as VTUS´ Investment Manager

In its role as Value Tree Umbrella SICAV´s (VTUS or, simply, "The SICAV") Investment Manager (IM), Value Tree S.A. (VT) is responsible for designing and executing VTUS´ ESG Policy ("the policy"), explained below.

At this point, it is crucial to clarify that **this policy refers to and is to be executed at sub-fund level**, and not at SICAV (i.e. VTUS), nor at entity (i.e. Value Tree) level. Hence, prior to explaining it, it is worth clarifying the SICAV´s structure, each sub-fund´s key investment policy (i.e. equities vs fixed income allocation) and their respective "ESG status"/key aspects, as presented below.

<table>
<tr><td colspan="2"></td><td colspan="5">Value Tree Umbrella SICAV
UCITS SICAV established in Luxembourg</td></tr>
<tr><td colspan="2">Sub-fund</td><td>Value Tree Defensive</td><td>Value Tree Balanced</td><td>Value Tree Dynamic</td><td>Value Tree European Equities</td><td>Value Tree Global Equities</td></tr>
<tr><td rowspan="2">Investment policy</td><td>% Investment in equities</td><td>35% (max.)</td><td>65% (max.)</td><td>85% (max.)</td><td>85% (min.)</td><td>51% (min.)</td></tr>
<tr><td>% Investment in fixed income securities</td><td>65% (min.)</td><td>35% (min.)</td><td>15% (min.)</td><td>15% (max.)</td><td>49% (max.)</td></tr>
<tr><td rowspan="5">ESG</td><td>Status (SFDR Art.)</td><td>Article 8</td><td>Article 8</td><td>Article 8</td><td>Article 8</td><td>Article 6</td></tr>
<tr><td>Sector exclusion criteria
(a)</td><td colspan="4">✓</td><td rowspan="4">✗</td></tr>
<tr><td>ESG scoring norm (>50/100)
(b)</td><td colspan="4">✓
(Applied to at ≥80% of the sub-fund)</td></tr>
<tr><td>PAIs consideration
(c)</td><td colspan="4">✓</td></tr>
<tr><td>Sustainable bonds
(as % NAV)
(d)</td><td>✓
(10%)</td><td>✓
(5%)</td><td>✓
(5%)</td><td>✗</td></tr>
</table>

VTUS´ ESG policy by sub-fund

Prior to delving into each sub-fund´s relevant policy and in order to comply with Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR), it must be clarified that <u>at least an 80% of each sub-fund must be fully aligned with the following:</u>

(a) sector exclusion criteria
(b) attainment of >50/100 ESG scoring
(c) PAIs consideration (Principal Adverse Impacts)
(d) minimum % of sustainable investment (green/social/sustainable bonds)

These four areas of analysis represent the fundamental pillars on which the policy rests.

In any case, the remaining <20%, albeit not meeting criteria (b) and/or (d), needs to comply with criteria (a) and (c) to ensure minimum ESG standards at sub-fund level to promote E/S characteristics in accordance with Art. 8 SFDR.

Value Tree considers an 80% level to be sufficiently strong to extrapolate a solid conclusion on each sub-fund´s level of commitment *vis-à-vis* ESG factors.

1. Value Tree Defensive

The sub-fund´s policy is implemented as follows:

I. Equities and corporate bonds

The analyses that are undertaken and that apply to equities and corporate bonds, are described below.

(i) Analysis area I.(i): sector exclusion criteria

The sub-fund complies with a sector exclusion criteria, involving the following areas: controversial weapons, pornographic content and prostitution-related activities. As detailed above, not being involved in these three areas represents a necessary condition to be considered an investible asset.

Controversial weapons include the following, as defined by the main international conventions:

Anti-personnel mines: the Ottawa Convention, which entered into force in March 1999, prohibits the use, stockpiling, production, and distribution of anti-personnel mines.

Cluster weapons: the Cluster Weapons Convention (commonly known as the Oslo Convention) adopted in 2008 prohibits the use, stockpiling, production and distribution of cluster munitions and cluster weapons.

Chemical weapons: the Chemical Weapons Convention (CWC), effective in 1993, establishes the prohibition of the use, stockpiling and accumulation, production and distribution of chemical weapons.

Biological weapons: the Biological and Toxin Weapons Convention (BTWC), effective in 1972, establishes the prohibition of the use, stockpiling and accumulation, production and distribution of chemical and toxin weapons.

Nuclear weapons: the Nuclear Non-Proliferation Treaty, signed in 1968 and entered into force in 1970, restricts the possession of nuclear weapons and is part of the efforts of the international community to prevent the proliferation of weapons of mass destruction to the group of nuclear weapon states (USA, Russia, UK, France and China).

For clarification purposes regarding this particular exclusion, for instance, companies and/or debt issues could be included in the investment universe when dealing with companies and/or projects intended to finance the manufacture and commercialisation of parts, components and subsystems for non-lethal defence material of a country in the European Union or the NATO.

(ii) Analysis area I.(ii): "best in class" criterion

Whereas the following aspect does not represent necessary conditions to be considered an investible asset, Value Tree values it positively if and when the company/issuer complies with it.

- "Best in class" criterion: Value Tree values positively values the fact that a specific company/issuer, once having successfully passed the required financial analysis, demonstrates a strong performance on a relative basis (i.e. compared to its peers) in one or several social, environmental or governance aspects based on the ESG score provided by the external ESG data supplier mentioned below.

(iii) Analysis area I.(iii): ESG scoring strategy and sustainability risk rating

It is to be noted, in first instance, that the ESG criteria applied by Value Tree in relation to the investment decision-making process explained below, are not exclusive and different criteria may be used when circumstances require it, as long as they comply with this policy and are not contrary to the best practices observed in the financial sector.

The scoring strategy consists on assigning scores (from 0, the worst, to 100, the best) to each company/issuer likely to become part/continue to be held in the sub-fund´s portfolio, based on ESG sustainability factors.

The final score results from drawing the average of the individual ESG scores provided by the external provider Clarity AI (hereafter, Clarity) to each company/issuer.

Regarding Clarity´s score, the following must be clarified:

- The final score is calculated by Value Tree applying the following weights: Governance: 50% / Environmental: 37,5% / Social: 12,5% to each of Clarity´s individual scores to these three areas.

- Given Value Tree´s experience as a manager in very different market contexts (financial crisis, debt crisis, zero or negative rates, telecoms boom, COVID-19, etc.), Value Tree considers that Governance is the pillar driving coherence to the strategies, commitments and implementation of environmental and social matters of a company, unless the economic activity undertaken by the company produces by itself a positive impact on the environment and/or in social terms, in which case, the relevance of governance would be diluted.

Having said so, the final score will lay within a 0-100 range, where 0 is the worst possible result and 100, the best. Therefore, it is key to clarify that Value Tree´s objective is to construct an underlying portfolio in the sub-fund with an average ESG score >50/100 for at least an 80% of the sub-fund (see table on page 1).

In principle, to qualify as an investable asset, the company/issuer must have an ESG score >50/100 (being 0 the worst score and, 100, the best). Nonetheless, if the ESG score <50/100, it could eventually qualify as an investable asset after applying a deeper internal analysis of the company´s/issuer´s attributes and metrics, with the aim to understand the possible reasons laying behind the low ESG score (e.g. lack of sufficient disclosure of information by the company itself, emergence of controversies, nature of the business, etc.) before adopting any decision.

Value Tree also relies on the aforementioned provider (Clarity) to incorporate the sustainability rating of the underlying assets in the sub-fund into its ESG analysis process and thus measure the so-called ESG sustainability risk.

For a better and more practical understanding on the matter, please refer to Value Tree´s Sustainability Risk Policy available on its website.

II. Government Bonds

Investing in government bonds requires a different analysis compared to corporate bonds, given the following:

- In developed countries, government fixed income securities are considered risk-free assets, hence the impact of ESG data is limited.

- The profitability of governments´ issues is largely related to the economic policy of its monetary area and the macroeconomic data of each country, hence the impact of ESG factors is limited.

- The level of "engagement" with the issuers is practically non-existent.

Given the uniqueness of each government and, hence, the complexity that applying an ESG criteria similar to what has been described above, would imply, Value Tree establishes the following non-restrictive criteria (i.e. to be interpreted as positive features contributing to the preference of a government issue vs a similar one) for the inclusion of government bonds in the fund:

1. Issues from OECD countries are preferred.

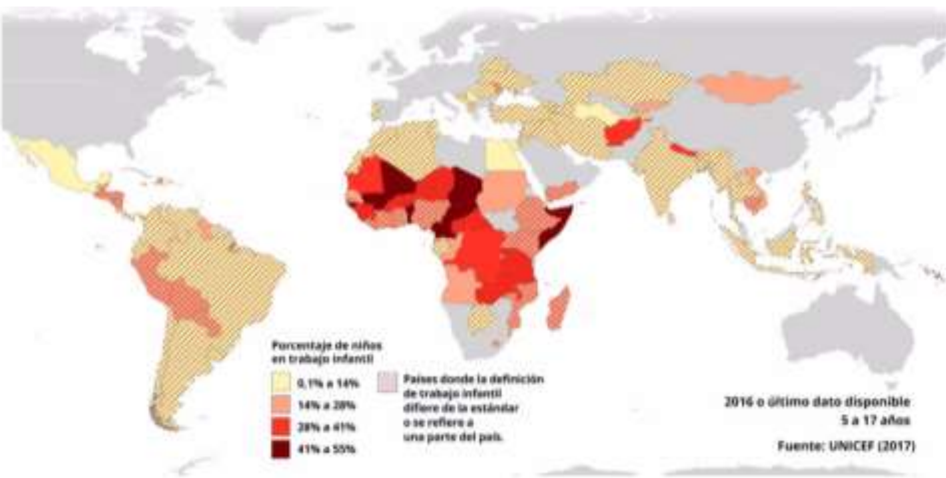
2. Issues from countries demonstrating a high level of commitment towards political rights and civil liberties, are also preferred. To measure this, Value Tree positively values those countries with a high "freedom score" in this respect, based on the Freedom House methodology:

Status		Political Rights score						
		0-5*	6-11	12-17	18-23	24-29	30-35	36-40
Civil Liberties score	53-60	PF	PF	PF	F	F	F	F
	44-52	PF	PF	PF	PF	F	F	F
	35-43	PF	PF	PF	PF	PF	F	F
	26-34	NF	PF	PF	PF	PF	PF	F
	17-25	NF	NF	PF	PF	PF	PF	PF
	8-16	NF	NF	NF	PF	PF	PF	PF
	0-7	NF	NF	NF	NF	PF	PF	PF

F = Free, PF = Partly Free, and NF = Not Free

Source: https://freedomhouse.org/reports/freedom-world/freedom-world-research-methodology

3. In addition, issues from countries where child labour is fought against are also preferred. In this respect, UNICEF´s country classification in this matter is taken into account:



III. Green/social/sustainable bonds

At least a 10% of the sub-fund´s Net Asset Value (NAV) will be invested in green/social/sustainable bonds.

Value Tree carefully reviews the following relevant documents: issuer´s Framework, Second Party Opinion report and, for issues >1 year, the bond´s impact report is also reviewed with the aim to identify which of the United Nations Social Development Goals (SDGs) is met and if the identified activities comply with the criteria specified and defined in the EU taxonomy: the Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards standards. Moreover, Value Tree also undertakes a review of the issuer and, if listed, a scoring is assigned to it in accordance to what has been explained in section I.(iii).

It is to be recalled that these bonds´ issues, in order to qualify as green/social/sustainable, need to have proven their alignment with a series of strict principles. Furthermore, their regulation and level of disclosure is highly demanding.

IV. PAIs

The sub-fund considers PAIs on sustainability factors as defined in the SFDR Level II, which are monitorised through Clarity on a regular basis.

The data set provided by Clarity allows Value Tree to track the sub-fund's portfolio against the mandatory PAIs, measuring quarterly improvements and relative performance against a peer group defined by Clarity.

However, quarterly points will be extracted for comparative purposes with the objective of assessing the performance of the sub-fund's overall portfolio.

Therefore, a sub-fund´s portfolio evolution analysis of the environment and social KPI´s followed for each PAIs will be undertaken to understand and disclose the reasons laying behind the favourable or non-favourable evolution in such specific ESG matters such as GHG emissions, carbon footprint, exposure in the fossil fuel sector, non-renewable energy consumption and production, level of compliance with United Nations (UN) Global Compact principles and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises, gender diversity, etc., in line with Value Tree´s commitment to make a strong and transparent disclosure of its performance in this context.

Finally, the concrete 14 mandatory PAIs are the following, with multiple metrics used to measure each of them:

PAI#1: GHG emissions

PAI #2: carbon footprint

PAI #3: GHG intensity of investee companies

PAI #4: exposure to companies active in the fossil fuel sector

PAI #5: share of non-renewable energy consumption and production

PAI #6: energy consumption intensity per high impact climate sector

PAI #7: activities negatively affecting biodiversity-sensitive areas

PAI #8: emissions to water

PAI #9: hazardous waste and radioactive waste ratio

PAI #10: violations of UN Global Compact principles and Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises

PAI #11: lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

PAI #12: unadjusted gender pay gap

PAI #13: board gender diversity

PAI #14: exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

2. Value Tree Balanced

The policy applied in this particular sub-fund is the same as the policy described for the sub-fund Value Tree Defensive, with the following exception:

- At least a 5% of the sub-fund´s NAV will be invested in green/social/sustainable bonds.

3. Value Tree Dynamic

The policy applied in this particular sub-fund is the same as the policy described for the sub-fund Value Tree Defensive, with the following exception:

- At least a 5% of the sub-fund´s NAV will be invested in green/social/sustainable bonds.

4. Value Tree European Equities

The policy applied in this particular sub-fund is the same as the policy described for the sub-fund Value Tree European Defensive, with the following exception:

- No investment will be made in green/social/sustainable bonds.

5. Value Tree Global Equities

The sub-fund does not promote environmental and/or social characteristics within the meaning of Article 6 of the EU Sustainable Finance Disclosure Regulation (SFDR).

Monitoring

To ensure the sub-fund´s continuous compliance with this policy, the following key reviews have been established:

- Key updates and news: daily basis
- ESG scoring: quarterly basis
- PAIs: quarterly comparisons (although the regular changes in the portfolios obliges updates to be undertaken on a weekly basis)

Caveats

The ESG criteria applied by Value Tree in its investment process are implemented on the basis of Value Tree´s best effort considering local regulations and the investors´ interest.

The set of criteria and metrics analysed are subject to dynamic reviews given the continuously increasing volume and depth of sustainability-related disclosure made by companies/issuers at the time of writing this policy and the regulatory developments that will take place in the near future in this area.

In this context, Value Tree warns of the following:

- Data accuracy:

To implement the policy described throughout this document, Value Tree analyses information and sets of data from external data providers and, although a qualitative review is carefully performed, Value Tree is not responsible for the accuracy of such data.

Furthermore, in respect to the aforementioned ESG methodology´s scoring system, Value Tree is conscious that figures/data and internal methodologies may vary across providers, yet Value Tree acts thoughtfully when determining the suitability of the external providers on which to rely. Their track record and prestige in the market, their degree of specialisation and the quality of the information provided are factors reviewed by Value Tree on a regular basis.

Clarity has been selected by Value Tree as the central external data provider given it is the leading external ESG data provider.

The extensive coverage of ESG analysis available on Clarity (which began in 2017 and is on continuous development), together with the additional data providers, allows Value Tree to cover almost the entire investment universe.

Clarity has an extensive network of data collectors, including journalists, financial and extra-financial data analysts (particularly ESG specialists), who gather company data, company news and sustainability indices to perform extensive analyses of the ESG parameters of companies/issuers throughout their history.

- Data consistency:

The set of observable data across companies/issuers is not always homogeneous, either due to companies´/issuers´ intrinsic aspects (e.g. insufficient involvement in sustainability initiatives or related activities in their overall global strategy) or to the nature of their sectors themselves (e.g. tobacco companies vs health-related issues, aviation vs carbon emissions, etc.). In these cases, Value Tree thoughtfully prioritises the observance of some indicators over others.

This policy is publicly available on Value Tree´s website at: https://valuetree.es/esg