



OYSTER Sustainable Europe: Transparency Code

01/11/2020

Foreword :

This transparency code is provided by Zadig Asset Management SA acting as delegated asset manager of “Oyster Sustainable Europe”, a sub-fund of the Oyster SICAV managed by iM Global Partner Asset Management S.A., Luxembourg based management company authorised by the CSSF (Commission de Surveillance du Secteur Financier).

Other relevant details can be obtained on the ESG section of www.zadig.lu

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1. List of funds covered by the transparency code

The code applies to the following sub Funds of the Memnon Fund as well as the following third-party funds for which Zadig Asset Management SA has been appointed as the manager.

Fund	Asset Class	AUMs 30/06/2020	Type of strategy	Exclusions	Label
Memnon European Equity	European Equities	692 M EUR	Norm-Based Screening ESG Integration Engagement & Voting	Human Right violations	LuxFlag ESG
Memnon Market Neutral Fund	European Equities	227 M EUR	Norm-Based Screening ESG Integration Engagement & Voting	Human Right violations	
Oyster Sustainable Europe	European Equities	132 M EUR	Norm-Based Screening Exclusions ESG Integration Best effort Impact engagement Sustainability themes	Human Right violations, Tobacco, Weapons, GMOPs, Adult entertainment, Gambling, Alcohol	Label ISR

2. General information about Zadig Asset Management SA

2.1. Name of the fund management company that manages the applicant fund(s)

Zadig Asset Management SA. (« Zadig ») is a Luxembourg Société Anonyme (“S.A.”). It is a Management Company regulated by the Commission du Surveillance du Secteur Financier in Luxembourg (“CSSF”). The Company also registered as an investment adviser under Section 203(c) of the Investment Advisers Act of 1940 on August 16, 2013.

Website: www.zadig.lu

2.2. What are the company’s track record and principles when it comes to integrating SRI into its processes?

Since inception, Zadig has always been committed to investing and engaging with companies showing the highest Governance standard. As part of our investment process, our research and investment team organises hundreds of companies contacts per year which are opportunities to assess ESG standards and Sustainability of companies and engage with senior management.

Zadig is a **signatory of the UNPRI since 2015**. The yearly PRI reports are available on UNPRI website. Click [HERE](#) to access.

Since 2018, Zadig has formalized its ESG integration approach with a systematic integration of ESG indicators in the valuation of companies and portfolio construction as well as detailed investor reporting on ESG, Sustainability, engagement activity and votes.

Memnon European Equity obtained the **LuxFlag ESG label** in June 2019.

In June 2020, Zadig launched the Oyster Sustainable Europe funds on the Oyster platform. This fund targets companies with higher sustainable revenues and applies a strict exclusion list. The fund obtained the Label ISR on November 4th, 2020.

2.3. How does the company formalise its sustainable investment process?

The ESG and Sustainability approach has been formalised with:

- An ESG and sustainability policy
- An engagement and voting policy

These policies are available on our website www.zadig.lu

2.4. How are ESG risks and opportunities - including those linked to climate change - understood/taken into account by company?

As concentrated European Equity managers, we invest our clients’ assets in companies and management teams we trust to deliver a solid financial performance. Our investment process is valuation driven, often contrarian, and our assessment of investment opportunities focuses on risk as much as returns.

We recognise that companies that score well on ESG metrics, especially on the governance side, and address Sustainable themes tend to be less risky and have better growth prospects than their peers. We acknowledge that financial performance should not come at the expense of Environmental and

Social performance and that best in class Governance practices often indicate top management and leadership.

As active investors frequently meeting management of listed companies, it is our duty to engage with companies, encourage best in class ESG and Sustainability practice and vote at all AGMs.

In short, we integrate ESG factors in our investment process to mitigate risks and assess the sustainability of growth and the financial performance of companies.

Climate change risks and opportunities are largely taken into account in the Environmental pillar of the ESG analysis and is embedded in the Sustainability analysis of the company, in particular in its capacity to address United Nations Sustainable Development Goals.

2.5. How many employees are directly involved in the company's sustainable investment activity?

ESG research is shared among the research team and readily accessible to all analysts. ESG and Sustainability factors, among others, are integrated in our valuation models by impacting the cost of capital. These topics are discussed with management of companies.

We do not believe in a dedicated ESG research team. We think our analysts are well placed to integrate ESG factors and Sustainability metrics in our investment process in a pragmatic and not a dogmatic manner. As a result, our 7 analysts/PMs are all involved in Zadig's sustainable investment activity and two employees who are responsible for the European SRI strategy/Oyster Sustainable Europe fund are leading the research effort.

The risk committee, as part of the broad risk control in place across the firm, monitors that the ESG integration process is adhered to and engage with the research and investment team when necessary.

Similarly, the commercial, marketing and reporting team maintains frequent contact with the research and investment team in order to guarantee a transparent and accurate communication to all stakeholders.

2.6. Is the company involved in any RI initiatives?

While Zadig is heavily committed to engaging with companies during its numerous contacts with management, we have not been involved in other organised RI initiatives apart from the Principles for Responsible Investment initiative so far.

2.7. What is the total number of SRI assets under the company's management?

SRI AUMs = 132M EUR as of June 2020, which is 8% of total AUMs

ESG AUMs = 1647 M EUR in June 2020, which is 99% total AUMs

The Oyster Sustainable Europe fund is the only fund with both ESG integration and Sustainability theme (SRI) managed by Zadig. It follows the European SRI strategy portfolio.

Hence the code applies to the European SRI strategy / **Oyster Sustainable Europe fund**.

3. General information about the SRI fund(s) that come under the scope of the Code

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

While the ESG framework is implemented across all funds at Zadig, the SRI process is more specific and relates to the taxonomy of sustainable goods and services.

Precisely, ESG helps to measure and benchmark the internalities of a firm, measured through data on environmental, social and governance factors whilst taxonomies can help understand the positive and negative externalities of that firm's goods or services. Thus, a high ESG score tells us only that a company is best in class relative to its industry peers. By Integrating ESG factors into our research, we aim primarily at reducing risk and encourage best practice through engagement on the matter.

3.1.1. Environment:

The analysis of environmental issues is mainly based on the analysis of the management of energy and water resources, waste management as well as the risk of environmental impact. We are convinced that companies with inappropriate environmental practices run a reputational and financial risk which can and must be managed through appropriate care and disclosure.

3.1.2. Social:

The social assessment aims at measuring how the company is managing its human capital as well as suppliers' relationships. We think that over the long term, neglecting these social factors lead to high human and regulatory risk which can translate into lower growth and profitability.

3.1.3. Governance:

The assessment of governance standards in a company is based, among other factors, on the analysis of the board structure and its independence, the preservation of shareholder rights, appropriate compensation policies and well as accounting transparency. Transparency and best in class stewardship are of paramount importance for long term financial performance and stability.

3.1.4. Controversies:

On top of the analysis of ESG factors that are inherent to the management of the company, external factors related to those three pillars are such as controversies are also integrated in our analysis. When controversies arrive, we will assess their seriousness and management's transparency in terms of communication and actions to remedy.

Regarding Sustainability theme, as we can't assess all of our companies by the same yardstick using hard data today, our approach is in turn more pragmatic, starting with the purpose of the company, using data when available to derive the exposure to sustainable goods and services (as % of sales, assets or capex) and then following up by investigating any sustainability claims that the company is making while always keeping an eye on controversies. Our focus on Sustainability aims at investing in companies which have a superior share of sustainable revenues today or will have superior sustainability in the future through today's management decisions. Our Sustainability analysis also includes the impact of potential negative exposure that can balance a company's otherwise positive contribution to sustainability.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Third party suppliers

- MSCI - is used not for the ESG Scoring overall but for the E and S data individually and for monitoring the controversies in our universe. It is also used for reporting to investors with production of regular Sustainability, Climate and ESG reports. Only raw data from MSCI is used to assess each company on ESG and Sustainability however, we like to use MSCI reporting tool to show that the final portfolio is also performing well on ESG and Sustainability metrics when using MSCI reporting capabilities.
- Vigeo Eiris - its Sustainable Goods & Services (SGS) research assesses the extent of corporate involvement in products and services that contribute to the achievement of the Sustainable Development Goals (SDGs). It addresses the lack of data on SDG performance and makes it easy for investors to understand.
- Bloomberg - is used for raw data that is meaningful and measurable (CO2 emissions, employee fatalities, % of women in management positions, etc.).
- ISS Ethix - provides a web-based voting and research platform to access vote recommendations and research reports. It contains relevant information for the assessment of governance of companies.

Internal Team

We believe that E, S and G issues are at the core of how a business is run and there's no one better way to assess those credentials other than our own existing investment research team which is in close contact with the management of European companies. Hence, there is no dedicated ESG team at Zadig but all equity analysts/PMs (7) are integrating the ESG and sustainability factors into their analysis. Governance analysis and ratings are proprietary. Adrian Vlad and Louis Larere are the two SRI specialists and the architects of the current European SRI strategy and process.

Louis Larere

- Bocconi University in Milan and ESCP business school in Paris
- European Equity analyst since 2014
- Joined Zadig in March 2019 as senior analyst
- In charge of Telecoms, Materials, Automotive sectors

Adrian Vlad

- Tiffin University BBA, (OH, United States) and ESSEC Business School MBA (Paris, France)
- Joined Zadig in 2012 as senior analyst
- In charge of Consumer, Media, Technology, Med Tech sectors

3.3. What ESG criteria are taken into account by the fund(s)?

The criteria we take into account in our ESG assessment are listed in the table below and relate to the classification of MSCI. They split into 10 themes and 37 key issues.

3 Pillars	10 Themes	37 ESG Key Issues	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Resources	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
Social	Human Capital	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Financial Product Safety	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
Governance	Corporate Governance*	Board* Pay*	Ownership* Accounting*
	Corporate Behavior	Business Ethics Anti-Competitive Practices Tax Transparency	Corruption & Instability Financial System Instability

While

While governance metrics (Voting rights, board independence, % of women in management positions, etc.) can easily be compared across industries, it is not the case of environment and social metrics. Comparing an asset heavy and labour-intensive car maker to a software company on social or environment topics is difficult and for that reason ESG rating providers, understandably so, compare and rank companies within their own industries.

For this reason, and because ESG agencies tend to disagree 50% of the time on the rating of a given company (according to research published by MIT in 2019¹), we do not use third party ESG ratings only but rather build our own scores, based on what we think matters most for each company.

The score is built around 4 pillars as follows:

- 1) Environment: Raw score provided by MSCI
- 2) Social: Raw score provided by MSCI
- 3) Governance: Zadig Internal score
- 4) Controversies: Raw score provided by MSCI

We then apply different weights for each sector. For example, industrial sectors have a higher weight for environment and for service companies we shall focus more on social issues. In the table below we describe how each sub-sector is assigned a different Environment and Social score. We consider Governance as a crucial component of any investment, whatever the sector and therefore apply a constant 40% weight.

The tables below illustrate through an example the data we collect and track over time, which allows us to understand potential areas of risk and engage with companies on topics they can improve.

¹ Berg, Florian, et al. "Aggregate Confusion: The Divergence of ESG Ratings." *SSRN Electronic Journal*, 2019, doi:10.2139/ssrn.3438533. Accessed 3 Mar. 2020.

Environment		2012	2013	2014	2015	2016	2017	2018	2019
Water Withdrawal	in m3	628	638	610	590	598	595	587	595
Water Withdrawal per 1mEur revenue	Total water	58.1	60.4	59.7	58.8	61.0	59.2	56.0	59.2
Water Recycling	Percentage of water the company recycles, of the tot				96.1%	96.2%	95.8%	96.1%	96.0%
Energy Usage	Total Energy	58,156	52,338	56,364	78,458	80,661	80,416	81,151	78,400
Renewable Energy Use %	Amount of	n/a	17%	10%	8%	8%	8%	6%	n/a
Total Waste '000 tonnes		141.8	183.3	155.7	148.0	176.0	170.8	155.1	162.6
Total Waste Intensity		13.11	17.35	15.24	14.74	17.96	17.01	14.79	16.17
Waste Recycling Ratio	Recycled %	—	—	—	—	—	—	—	—
Hazardous Waste Intensity	Tonnes of	0.41	0.27	0.35	1.30	2.73	2.00	1.29	1.33
Total CO2 Equivalents Emissions	Ratio of tot	0.43	0.45	0.45	0.41	0.35	0.37	0.36	0.34
Scope1 CO2 Equivalents Emissions	Scope 1 gr	0.250	0.263	0.274	0.235	0.244	0.232	0.237	0.237
VOC Emissions '000s tonnes	Total amount of volatile organic compounds (VOCs) emitted by the company, in thousands of metric tons.								
Total Sox Emissions	Sulphur diox	0.39	0.37	0.40	0.37	0.37	0.30	0.28	0.29
Total Nox Emissions	Nitrogen diox	1.03	1.07	1.09	1.10	1.10	1.09	1.03	1.01

Additional questions

Does the company have clear targets for emissions, waste, water, recycling? Yes p.9 of Sustainability report
Are they included in management incentives? If yes in what proportions and timeframe? Up to 30% of short term incentives
Does the company have policies in place to control its supply chain and suppliers behaviour? Yes 96% of suppliers covered by their code of conduct
Are there any severe environmental controversies to report? No

Social		2012	2013	2014	2015	2016	2017	2018	2019
Number of employees		28,203	27,985	26,543	25,011	24,723	24,960	25,880	24,390
Employee Turnover	Number of	12.8	12.8	22.0	17.4	22.8	15.0	15.0	15.0
Average Training Hours	Hours the	—	755,595	716,661	775,341	642,798	648,960	569,360	731,700
Average Employee Compensation	Total labour expenses divided by # of employees								
% Women in Workforce	Percentage	23.0	22.3	25.0	24.0	26.0	26.0	26.0	26.0
% Women in Management	Percentage	0.0	0.0	33.3	23.1	21.0	21.0	20.0	24.0
% Minorities in Workforce	Percentage of Minority Employees								
Lost Time Injury Rates	Total numt	1.5	1.2	1.0	0.9	0.9	1.1	0.9	1.1
Total Injury Rates	Total numt	3.3	2.8	2.5	2.2	2.3	1.5	1.2	1.4
Fatalities Rate	Total numt	n/a	0.07	0.00	n/a	n/a	0.04	0.00	0.04
Classdoor note	Employee score for the company and the CEO				3.8 / 5, new CEO so 100% approval rate not relevant with 2 notes				

Additional questions

Is the company a UN Global Compact Signatory? Yes
Has the company put in place clear policies for:
Anti-bribery Yes
Whistle blowing Yes
Health and safety Yes
Human rights Yes
Child labor Yes
Consumer data protection Yes
Are there any severe social controversies to report? 4/10 on the Veracel situation in Brazil. Engaged and documented

Governance		2012	2013	2014	2015	2016	2017	2018	2019
Dual share classes with unequal rights: yes/no		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Chairman and CEO separation: yes/no		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Independent Chairman: yes/no		8.0	10.0	9.0	8.0	8.0	9.0	9.0	9.0
Size of the board		8.0	9.0	8.0	8.0	7.0	7.0	6.0	6.0
# of independent directors		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
# of employee representative on the board		12.5	30.0	33.3	25.0	25.0	33.3	33.3	22.2
% of women on the board		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
% of international board members		10.0	9.0	12.0	7.0	8.0	10.0	11.0	12.0
Board duration		100.0	96.5	97.3	98.2	96.7	97.7	100.0	100.0
Number of board meetings									
% attendance									
Size of committees									
Audit		3.0	4.0	4.0	4.0	3.0	4.0	4.0	3.0
Compensation		3.0	3.0	3.0	4.0	3.0	3.0	3.0	3.0
Nomination		—	—	—	—	—	3.0	3.0	3.0
Independent Chair of committee: yes/no									
Audit		Yes	Yes	Yes	Yes	No	No	No	No
Compensation		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Nomination		n/a	n/a	n/a	n/a	n/a	Yes	Yes	Yes
CSR / Sustainability committee: yes/no		No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Additional questions

Is there a large/controlling shareholder? Yes the Wallenberg family and the Finnish state with 27% of voting rights and 10% of capital
Is the state a shareholder in the company? Yes
Is the company in a sensitive sector with State overview (media, defense, energy...)? No
Are there poison pills or mechanisms preventing potential takeovers? No
Is the management team a shareholder in the company? Recently appointed CEO doesn't hold shares. CFO holds 32k shares
Zadig assessment of the:
Remuneration policy No FCF metric nor shareholder return. Could be improved
Management and board quality Good
Quality of reporting and accounting Good
Are there any severe controversies involving management, the board? No

For the assessment of controversies, we look at situations where company operations and/or products have a negative environmental, social and/or governance impact. Cases include alleged company violations of existing laws and/or regulations, company actions or events that violate commonly accepted international norms, including but not limited to norms represented by global conventions such as the UN Global Compact. The severity of the controversy depends on the nature as well as the scale of impact, as resumed in the table below by MSCI.

Scale of Impact	Nature of Impact			
	Egregious	Serious	Medium	Minimal
Extremely Widespread	Very Severe	Very Severe	Severe	Moderate
Extensive	Very Severe	Severe	Moderate	Moderate
Limited	Severe	Moderate	Minor	Minor
Low	Moderate	Moderate	Minor	Minor

3.4. What principles and criteria linked to climate change are taken into account in the fund?

Criteria linked to climate change are considered at multiple stages of the European SRI strategy / Oyster Sustainable Europe fund's investment process, both in terms of negative and positive assessment.

As a starting point, our **exclusion policy** targets sectors which are particularly exposed to climate risk and transition challenge. The two sector exclusions related particularly to climate change are: Thermal coal - exclusion of companies that derive more than 5% of revenues (either reported or estimated) from coal-based power generation and/or thermal coal extraction.

Fossil fuels - Exclusion of all companies deriving 30% or more revenue (either reported or estimated) from the fossil fuels-based power generation, production and sale of oil and/or natural gas.

We believe a low tolerance policy is more appropriate when it comes to fossil fuels as many companies are taking tangible steps to transform their business models towards sustainability. As long-term investors, we are willing to invest in businesses in transition like many utility companies that are scaling down CO2 intensive power generation to invest in renewable energy.

As part of the **ESG assessment** of companies described above, the Environmental pillar clearly includes climate change risk and transition, and so does the controversy analysis.

Through the focus on companies having superior **share of revenues in sustainable goods and services**, the European SRI strategy / Oyster Sustainable Europe fund clearly targets companies having a positive impact on climate change, in particular by addressing the pillars 7, 9, 11, 12 and 13 of the UN SDGs. Companies are assessed on their capacity to generate Sustainable Goods and Services now or in the future, some of that sustainable exposure being linked to tackling climate change.

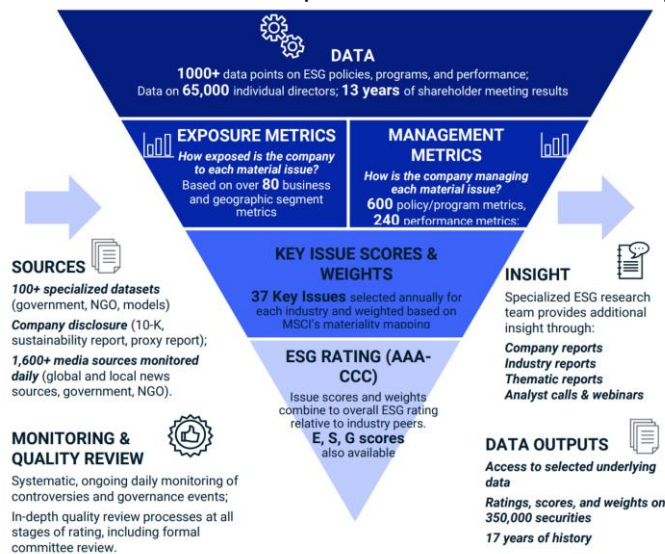
The sustainability assessment also includes potential negative effect of some of the company's activities that could offset some the most sustainable one.



3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

For ESG analysis and evaluation, Zadig relies on MSCI and Bloomberg to provide raw data for each company in the investable universe.

MSCI global team of about 185 experienced research analysts assesses thousands of data points across 37 ESG Key Issues, focusing on the intersection between a company's core business and the industry issues that can create significant risks and opportunities for the company. Companies are rated on a AAA-CCC scale relative to the standards and performance of their industry peers.



The Zadig proprietary ESG score is using the MSCI data for the Environment and Social scores as well as the Controversies score while the Governance score is proprietary and derived via internal due diligence and company interactions by our analysts. Different weights are applied for each sector to arrive at a company level score. For example, industrial sectors have a higher weight for environment while service companies that employ large number of people have a higher weight for social issues. The methodology is described in the table below: we consider Governance as a crucial component of any investment, whatever the sector and therefore apply a constant 40% weight.

Name	Subsector	E Score (MSCI)	S Score (MSCI)	G Score (Zadig)	Controversy score (MSCI)	Zadig ESG Score
VALEO SA	Auto Components	7.70	4.00	6.5	4	5.9

Weights	E	S	G	Controversies
Aerospace & Defense	30%	20%	40%	10%
Air Freight & Logistics	35%	15%	40%	10%
Airlines	35%	15%	40%	10%
Automobiles	25%	25%	40%	10%
Beverages	25%	25%	40%	10%
Building Products	40%	10%	40%	10%
Communication Services	20%	30%	40%	10%
Commercial Services & Supplies	15%	35%	40%	10%
Construction & Engineering	30%	20%	40%	10%
Electrical Equipment	35%	15%	40%	10%
Energy	40%	10%	40%	10%
Financials	10%	40%	40%	10%
Food & Staples Retailing	25%	25%	40%	10%
Food Products	25%	25%	40%	10%
Health Care	10%	40%	40%	10%
Hotels, Restaurants & Leisure	20%	30%	40%	10%
Household Durables	25%	25%	40%	10%
Household Products	25%	25%	40%	10%
Industrial Conglomerates	30%	20%	40%	10%
Information Technology	10%	40%	40%	10%
Internet & Direct Marketing Re	10%	40%	40%	10%
Leisure Products	25%	25%	40%	10%
Machinery	30%	20%	40%	10%
Marine	35%	15%	40%	10%
Materials	35%	15%	40%	10%
Multiline Retail	20%	30%	40%	10%
Personal Products	25%	25%	40%	10%
Professional Services	10%	40%	40%	10%
Real Estate	35%	15%	40%	10%
Road & Rail	25%	25%	40%	10%
Specialty Retail	20%	30%	40%	10%
Textiles, Apparel & Luxury Goo	30%	20%	40%	10%
Tobacco	25%	25%	40%	10%
Trading Companies & Distributo	25%	25%	40%	10%
Transportation Infrastructure	30%	20%	40%	10%
Utilities	40%	10%	40%	10%

The Sustainability analysis is based on a company's % exposure to the UN SDGs, which is done in two steps:

- 1) Current exposure today i.e. what share of a company's revenues, capex or assets address sustainable themes. This initial assessment relies on public data that is gathered with the help of Vigeo Eiris (part of Moody's Corporation).

Vigeo Eiris aims at:

- i. Identifying sustainable products/services in a company's activities, according to the product inventory
- ii. Quantifying the level of involvement for each product/service
- iii. Summarising a company's total involvement in sustainable products/services
- iv. Classifying the impact according to 9 themes: Access to Information, Capacity Building, Energy & Climate Change, Food & Nutrition, Health, Infrastructure, Responsible Finance, Water & Sanitation, Protection of Ecosystems
- v. Classifying the involvement into 11 scales as show in the table below.

- ▶ Assessment of **corporate involvement in sustainable goods and services** across a range of indicators
- ▶ **Sector-specific indicators** more accurately assess the level of involvement
- ▶ Indicators are available for **each product and service**, plus at **aggregate** company level
- ▶ Involvement assessed as **Minor, Significant or Major** against a 10-point scale

Indicator	Sector	Total Scale of Incorporation	Category
Revenue (priority indicator when available)	All sectors	N/A	Minor
Net sales	All sectors	[0-10[Minor
EBIT	All sectors	[10-20[Minor
Total assets	Diversified Banks, Financial Services – General, Insurance, Retail & Specialised Banks	[20-30[Significant
		[30-40[Significant
		[40-50[Significant
Renewable energy generation	Electric & Gas Utilities	[50-60[Major
Green properties /floor space	Financial Services – Real Estate	[60-70[Major
Order backlog	Heavy Construction, Industrial Goods & Services, Mechanical Components & Equipment	[70-80[Major
		[80-90[Major
		[90-100]	Major

According to data from Vigeo-Eiris the market capitalization weighted exposure to sustainable goods and services of MSCI Europe is around 24% today and has oscillated between 20% and 24% since March 2019. Since inception of the SRI Strategy, our portfolio has fluctuated between 40% to 45% and our commitment is to remain significantly above the market average going forward.

- 2) The second step involves our proprietary research as well as discussions with management to compute a 5-year forward estimate for UN SDG revenue exposure. How a company evolves is as important as the starting point with the best opportunities coming from companies that will manage to successfully adapt and evolve towards more sustainable businesses.

Name	Subsector	Vigeo % Sustainable	Zadig % Sustainable 5y Fwd
ORPEA	Health Care Providers & Ser	100%	100%
SUEZ	Multi-Utilities	100%	100%
BILLERUDKORSNAS	Containers & Packaging	75%	80%
SIGNIFY NV	Electrical Equipment	30%	70%
STORA ENSO OYJ-I	Paper & Forest Products	20%	60%
AIR LIQUIDE SA	Chemicals	30%	50%
SPIE SA	Commercial Services & Supl	10%	50%
VALEO SA	Auto Components	10%	30%

Similar to Zadig's target prices, the 5-year SDG exposure estimate is based on bottom up, financial forecasts for the different business lines of each company and might evolve over time if actual developments differ from the internal assumptions.

3.6. ESG and Sustainability research from MSCI and Vigeo Eiris as well as proprietary ESG scores and 5 year sustainable revenue estimates are shared among the research team and readily accessible to all analysts. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

ESG and Sustainable exposure of companies are reviewed at least annually by MSCI, while Vigeo Eiris updates its SDG % exposure monthly. A pillar of Zadig's research team effort is the engagement and frequent meetings with senior management of European companies in and out of the portfolio. Helped by the fact that only a handful of companies are invested in the European SRI strategy (typically less than 30), this constant contact with management helps the review of ESG and SRI credentials of the companies.

Companies involved in significant controversies, whether or not they have had their ESG or Sustainability rating downgraded by MSCI or Vigeo Eiris, will go through a formal escalation process and will be reviewed for potential divestment:

- Zadig engages with the company's management on the matter, either written or oral
- A short report is compiled to the attention of the risk committee which meets monthly

A common trait of Zadig portfolio is the concentration on a limited number of companies (25-35) which is key for monitoring of both financial and extra financial newsflow that is relevant for companies in the portfolio. It is also a strength for active engagement with the management of companies in case of significant events or controversies.

4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

The **first pillar of our ESG/SRI integration process** is Zadig's stringent exclusion policy is a **quantitative** measure.

Zadig's exclusion policy is based on two pillars:

4.1.1. Sector exclusions

Zero Tolerance Issues

- Tobacco - exclusion of all companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products.
- Weapons and armament - exclusion of companies that derive more than 5% of revenues from producing or selling products or services that form a significant part of weapons, weapon system or weapon platform.
- Genetically Modified Organisms - exclusion of companies deriving 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption
- Adult entertainment - exclusion of all companies deriving 5% or more revenue from the production of adult entertainment materials and all companies deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials
- Gambling - exclusion of companies deriving 5% or more revenue from ownership of operation of gambling-related business activities
- Alcohol - exclusion of companies that derive more than 5% of their revenues from the manufacture of alcoholic beverages and companies that derive more than 15% of revenues from the wholesale or retail distribution of alcoholic beverages.
- Thermal coal - exclusion of companies that derive more than 5% of revenues (either reported or estimated) from coal-based power generation and/or thermal coal extraction.

Low Tolerance Issues

- Fossil fuels - Exclusion of all companies deriving 30% or more revenue (either reported or estimated) from the fossil fuels-based power generation, production and sale of oil and/or natural gas.

We believe a low tolerance policy is more appropriate when it comes to fossil fuels as many companies are taking tangible steps to transform their business models towards sustainability. As long-term investors, we are willing to invest in businesses in transition like many utility companies that are scaling down CO2 intensive power generation to invest in renewable energy. Orsted, EDP or Enel are good examples of companies that have done or are now going through such transitions.

4.1.2. SDG and ESG exclusions

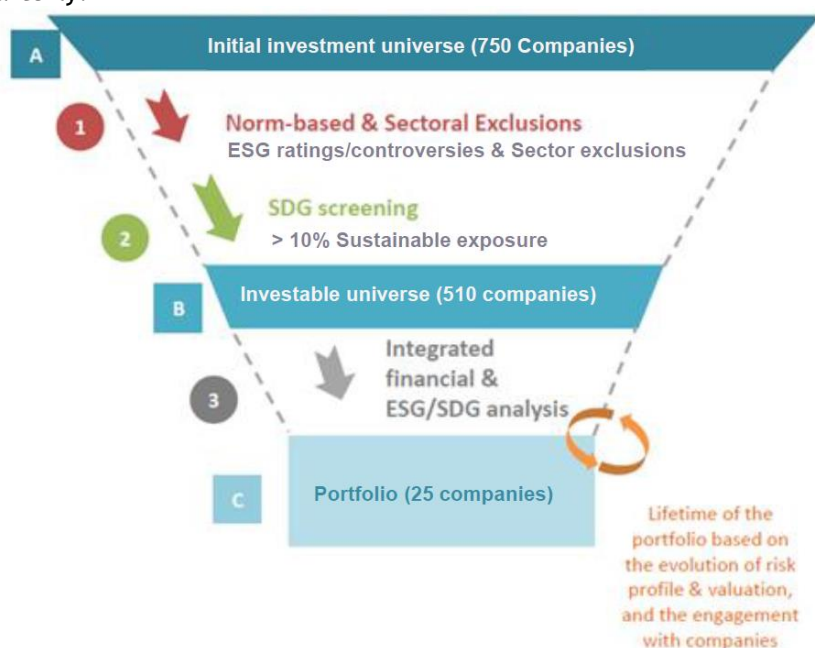
- Human Rights - exclusion of companies that clearly infringe international agreements and which are complicit in human right abuses, either deliberately or through neglect and will

not invest in companies that violate human rights of their employees, their suppliers or the local communities they operate in.

- **SDG exposure** - our objective is to invest only in companies that address at least one SDG with at least 10% of their revenues. We therefore also exclude from our investable universe companies that don't fit these criteria.
- **ESG filter** - exclusion of companies with very severe controversies and/or that are rated CCC or B by MSCI, representing on average the worst 20% of companies in an industry.

	# of stocks	% of stocks excluded
Aerospace & defence	14	100%
Beverages	8	73%
Oil services	9	100%
Mining	21	100%
Oil & Gas	16	100%
Utilities	8	24%
Tobacco	3	100%
Controversies and ESG exclusion	22	3%
Total ESG and Sector exclusion	101	13.5%
 Companies with no SDG exposure	 139	 18.5%
Total companies excluded	240	32%

In total our investable universe is reduced by around one third compared to Zadig's initial universe and we end up with more than 500 investable companies, a pool large and diversified enough to build our concentrated portfolio. These numbers might evolve over time as we aim at reviewing our exclusion list quarterly.



A positive screening based on financial and extra financial criteria leads to a concentrated portfolio of about 30 names that:

- Offer an attractive risk reward profile based on financial criteria (return on capital employed, growth, profitability) and valuation (P/E, EV/EBIT, Free Cash Flow yield)
- Address at least one SDG today with at least 10% of revenues.
- Have the potential to grow significantly this exposure in the medium term, as measured by our internal 5y SDG exposure estimate.

Our valuation framework is always based on triangulating several methods (Peer Group Analysis, Bull/ Bear scenarios, DCF, SOTP) to make sure we correctly value the prospects of companies' business units that are showing attractive sustainable growth prospects. While there is no single

formula as we think each company is a unique case, we generally use a lower cost of capital (or a higher multiple) to value businesses that can grow their exposure to SDGs, reflecting the reduced long-run systematic risks (e.g. climate change).

4.2. How are criteria specific to climate change integrated into portfolio construction?

Through both the negative and positive screening described in 4.a the portfolio avoids exposure to companies having a detrimental impact on climate change and focuses on companies with significant sustainable exposure, some of it being directly linked to climate change.

Furthermore, for all companies in the portfolio, climate change risk is integrated in the companies' fundamental assessment and its valuation by the research team as part of the ESG integration process.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

100% of the portfolio is subject to an ESG and sustainability evaluation. In the exceptional circumstances where the company is not covered by third party providers MSCI and Vigeo Eiris, our team will perform the ESG analysis independently.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

In 2020, we have formalised the ESG and Sustainability evaluation with the introduction of Zadig's proprietary ESG score and the 5-year SDG exposure estimate described in 3.e.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

Yes, given the focus on companies with higher sustainable exposure than average, the fund is exposed to companies that have extremely strong social goals.

The best current example of this is with Danone which became the first listed company to adopt the "Entreprise à Mission" model created by French law in 2019. An "Entreprise à Mission" is defined as a company whose social and environmental objectives are aligned with its purpose and set out in its Articles of Association. Established in 2005, its purpose is to "bring health through food to as many people as possible".

4.6. Does (do) the fund(s) engage in securities lending activities?

No.

4.7. Does (do) the fund(s) use derivative instruments?

No.

4.8. Does (do) the fund(s) invest in mutual funds?

No.

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

External controls include a full screening of the portfolio by MSCI on a quarterly basis that provides a control of ESG and Sustainability rules in place for the strategy, highlighting potential red flags. These external reports are communicated to the independent Risk Committee of Zadig as well as to investors.

Internal controls are performed by Zadig's independent Risk Committee. In particular, the risk committee controls that:

- Exclusion list is updated every quarter and that the portfolio fully respects the list
- Significant ESG event (controversies, downgrades) trigger an engagement with the relevant companies, a report produced to document the event and a potential divestment.
- New names entering the portfolio are compliant with the ESG rules, the prospectus as well as the spirit of the strategy.

Besides, iM Global Partner Asset Management, acting as management company for the Oyster Sicav, provides a second level of control on :

- Implementation and respect of the exclusion list
- Monitoring the consistency of the portfolio with the investment philosophy and process, including sustainability aspects

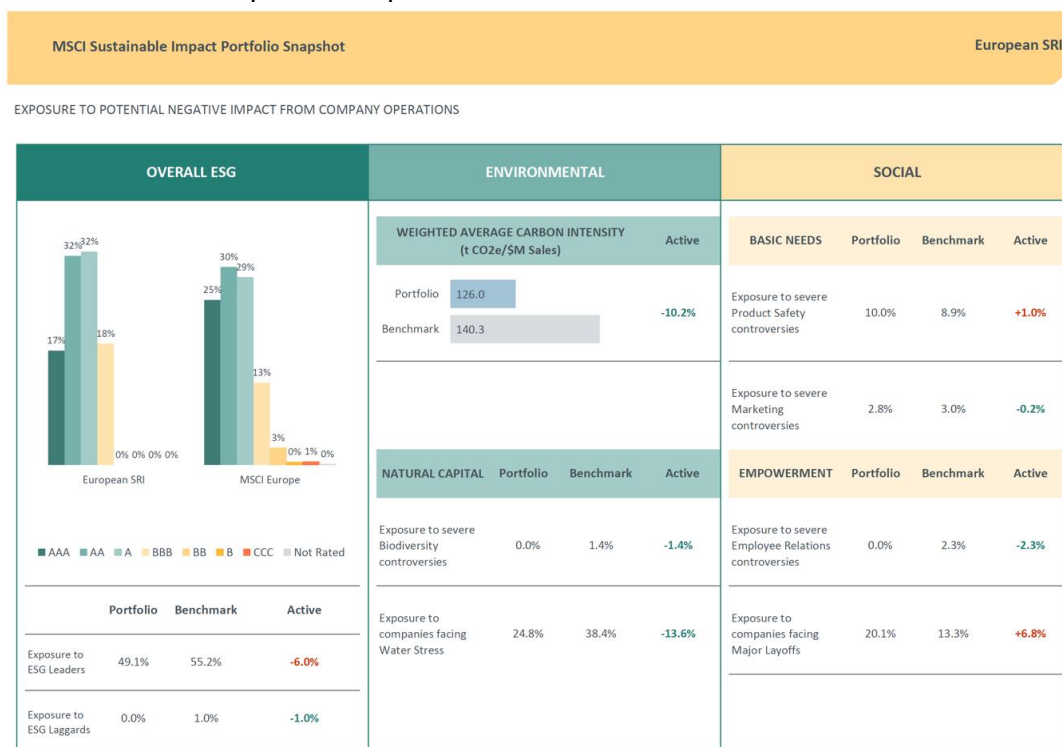
6. Impact measures and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

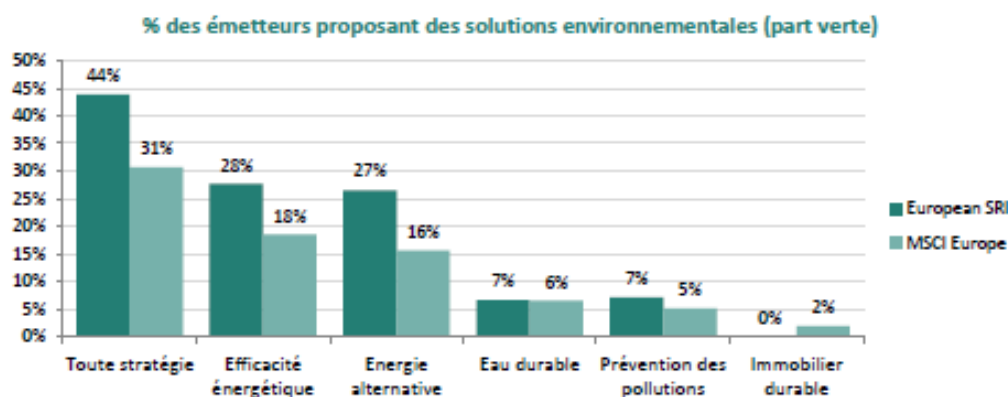
Vigeo Eiris and MSCI both provide ESG and Sustainability scores for the portfolio. While these reports do not take into account Zadig's proprietary analysis, we think they provide a reassuring third party audit for our ESG and Sustainability analysis and constitutes a solid control of Zadig's internal analysis. Indeed, while we are confident in the overall fairness of our process, we think it is important that an external analysis captures the superiority of our portfolio on ESG and Sustainability metrics.

Regarding climate impact, MSCI provides the Transition Energétique et Ecologique (TEE) snapshot of the portfolio as well as carbon footprint.

These external reports are communicated to the independent Risk Committee of Zadig as well as to investors. Some snapshots are provided below:



Ex: extract of ESG / Sustainability report by MSCI



Ex: extract of Carbon / Green Footprint analysis

6.2. What ESG indicators are used by the fund(s)?

6.2.1. Environmental indicators

Exposure to sustainable goods and services as measured by estimated weighted average of % revenue exposed to Sustainable Products and Services for the portfolio (source Vigeo Eiris and Zadig)
Carbon intensity of the portfolio, as measured as portfolio weighted average of the carbon intensities of the underlying holdings scope 1 + 2 in t CO2e/\$M Sales (source MSCI)

6.2.2. Social indicators

Social Impact solutions exposure: as measured by % of revenues for a hypothetical 1M EUR investment to Nutrition, Affordable real estate, Major disease treatment, Sanitation, SME finance and Education (source MSCI)

6.2.3. Human rights indicators

Percentage Global Compact signatories: as measured by % of holdings that are signatories of UN Global Compact (source United Nations and Zadig)

6.2.4. Governance indicators

Diversity at the board level as measured by share of portfolio where 30% of board members are women (source Zadig).

Those indicators are part of the ESG impact reporting presentation of the European SRI strategy / Oyster Sustainable Europe fund.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Zadig is committed to full transparency and provides multiple reports 'off the shelf' to investors. Investors can register on Zadig's website and access:

- the ESG and Sustainability presentation including engagement and voting summary (updated quarterly)
- MSCI ESG and Sustainability reports (updated quarterly)
- French Energy Transition Law Portfolio Snapshot (updated quarterly)

6.4. Does the fund management company publish the results of its voting and engagement policies?

Yes, a summary of voting record for the firm and the European SRI strategy is included in the ESG and Sustainability presentation as well as engagement reports with companies when relevant matters have been discussed (in case of low ESG score and controversies). Details of votes are available upon request.

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Transparency Code - 01/11/2020
[Commentaires]