Value Tree Umbrella SICAV ESG policy[1]

This document addresses the information (i.e. the policy) referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 23 to 36 of the Commission Delegated Regulation (EU) 2022/1288, to be published by market participants in relation to financial products that promote environmental or social characteristics.

Except for the sub-fund Value Tree Global Equities, which (a) has not yet been launched as of the date of this document and (b) does not promote environmental and/or social characteristics within the meaning of Article 6 of the EU Sustainable Finance Disclosure Regulation (SFDR), the remaining four sub-funds ("the sub-funds"), namely Value Tree Defensive, Value Tree Balanced, Value Tree Dynamic and Value Tree European Equities, promote environmental and social characteristics in accordance with Article 8 of Regulation (EU) 2019/2088.

As a result, <u>the information detailed in this document does not apply to the sub-fund Value Tree Global Equities, yet it applies entirely to the remaining four sub-funds</u>. In essence, the present document shall provide the sub-funds' investors a detailed overview of the ESG policy undertaken in the context just described.

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

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.

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

(a) Summary

This section intends to provide a brief overview of the information detailed in the other sections, (i.e. sections b, c, d, e, f, g, h, i, j, k and l).

No sustainable investment objective

The sub-funds promote, amongst others, some ESG characteristics in compliance with Article 8 of SFDR but they do not have sustainable investment as their objective. However, Value Tree Defensive, Value Tree Balanced and Value Tree Dynamic will have at least a 10%, 5% and 5% of their respective Net Asset Values (NAVs) invested in sustainable bonds, with either an environmental objective, social objective, or a combination of both.

Environmental or social characteristics of the financial product

Although the sub-funds do not have sustainable investment as their objective, they promote, amongst others, some ESG characteristics in compliance with Article 8 of SFDR by applying the investment strategy developed in section (d).

[1] The sub-funds part of Value Tree Umbrella SICAV are: Value Tree Defensive, Value Tree Balanced, Value Tree Dynamic, Value Tree European Equities and Value Tree Global Equities.

Investment strategy

The following four areas of analysis represent the fundamental pillars on which the policy rests to promote some ESG characteristics and to comply with Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR):

(a) sector exclusion criteria
(b) attainment of >50/100 ESG scoring
(c) PAIs consideration (Principal Adverse Impacts)
(d) minimum % of sustainable investments (green/social/sustainable bonds), except for Value Tree European Equities

In addition, additional positive filters (i.e. non-restrictive) are considered ("best in class criterion" and specific characteristics in relation to government bonds), although these do not represent necessary conditions to be considered an investible asset.

Proportion of investments

To ensure minimum ESG standards at sub-fund level and to promote ESG characteristics in accordance with Art. 8 SFDR, criteria (a) and (c) (see above) must be fully met by the entirety of the sub-funds' portfolios. In terms of criterion (b), at least an 80% of each of the sub-funds' portfolios must align with it. Finally, criterion (d) must be met as described above under subsection "No sustainable investment objective".

Monitoring of environmental or social characteristics

To ensure the sub-funds' continuous compliance with this policy, the following key reviews have been established:

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

Methodologies

The achievement of the ESG characteristics promoted by the sub-funds is driven by the methodologies and monitoring process that have been developed in this context and that are described in the section "Investment Strategy" (see pages 4, 5 and 6).

Data sources and processing

To implement the policy described throughout this document, information and sets of data from external data providers are analysed, yet Clarity AI (hereafter, Clarity) has been selected as the central external data provider.

Limitations to methodologies and data

The ESG policy applied the sub-funds' investment process is implemented on the basis of Value Tree´s best effort considering local regulations, investors´ interest and based on external providers' data, especially that of Clarity.

The set of criteria and metrics analysed are subject to dynamic reviews given the continuously increasing volume and depth of sustainability-related disclosures 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.

Due diligence

To ensure full compliance with this policy, the sub-funds' underlying assets are carefully reviewed in accordance with this policy prior to becoming part of the sub-funds' portfolios and throughout the period in which the investments in each of these assets are maintained.

Engagement policies

To improve the ESG monitoring processes, Clarity is used as they central external data provider (additional data providers are consulted when necessary). Frequent conversations with (a) the analysts covering the companies and (b) Clarity's analysts take place to improve data accuracy and consistency and clarify any potential issues regarding data provided. Moreover, controversies are checked through Clarity.

Engagement with companies is limited given the sub-funds' investment size relative to their market capitalisations as the sub-funds invest mainly in *large cap* companies. On the contrary, engagement with third-party funds' management teams present in the portfolios is frequent.

No designated reference benchmark

No index has been designated as a reference benchmark for the purpose of attaining the E/S characteristics promoted by the sub-funds.

(b) No sustainable investment objective

The financial products promote environmental or social characteristics, but do not have as their objective sustainable investment. However, the following sub-funds commit to have a specific percentage of sustainable investments as detailed below; these can pursue environmental, social or a combination of both objectives:

- Value Tree Defensive: at least a 10% of its NAV must be invested in sustainable bonds.
- Value Tree Balanced: at least a 5% of its NAV must be invested in sustainable bonds.
- Value Tree Dynamic: at least a 5% of its NAV must be invested in sustainable bonds.

Moreover, the financial products consider the "do no significant harm principle" by taking into account the principal adverse impacts their investments could have. The assessment is done through the application of the following exclusion criteria policy, which involves the following areas: controversial weapons, pornographic content and prostitution-related activities. Not being involved in these three areas represents a necessary condition to be considered an investible asset (equities and corporate bonds).

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.

Moreover, the sub-funds consider PAIs on sustainability factors as defined in the SFDR Level II, which are monitored through Clarity on a regular basis.

The data set provided by Clarity allows Value Tree to track the portfolios against the mandatory PAIs, measuring quarterly improvements and relative performance against a peer group defined by Clarity.

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

Therefore, a sub-funds' portfolio evolution analysis of the environmental and social KPI´s followed for each PAIs is undertaken to understand and disclose the reasons laying behind the favourable or non-favourable evolution in 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.

The concrete 16 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)

PAI #15: GHG intensity (sovereigns)

PAI #16: investee countries subject to social violations

Finally, sustainable investments are reviewed against minimum social safeguards by screening for controversies of investee companies using the OECD and UN frameworks. The PAI indicator #M10 ("10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises") provides clarity around this aspect.

(c) Environmental or social characteristics of the financial product

The characteristics promoted by these financial products result from investing in assets, mainly stocks and corporate bonds, presenting solid overall standards in environmental, social and governance areas, which must be translated into strong ESG ratings.

As explained previously, the sub-funds promote, amongst others, some ESG characteristics in compliance with Article 8 of SFDR but they do not have sustainable investment as their objective. However, Value Tree Defensive, Value Tree Balanced and Value Tree Dynamic commit to have at least a 10%, 5% and 5% of their respective NAVs invested in sustainable bonds, with either an environmental objective, social objective, or a combination of both.

Further details are provided in sections (b), (d) and (g).

(d) Investment strategy

The objective of the financial products is to offer their investors a capital gain, through investment in solid, growing and well managed companies worldwide, especially in USA and/or Europe, which present solid and sustainable results while adopting a moderate approach, considering the ESG policy described throughout this document.

The following four areas of analysis represent the fundamental pillars on which the policy rests to promote some ESG characteristics and to comply with Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR):

- (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), except for Value Tree European Equities

Criteria (a) and (c) must be fully met by the entirety of the sub-funds' portfolios. In terms of criterion (b), at least an 80% of each of the sub-funds' portfolios must align with it (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). Finally, criterion (d) must be met as described previously in section "No sustainable investment objective".

The implementation of each of these pillars into the sub-funds' portfolios is conducted in the following manner:

(I) Equities and corporate bonds

(a) Sector exclusion criteria: see section (b)

(b) Attainment of >50/100 ESG scoring:

In terms of the ESG scoring strategy and sustainability risk rating, it is to be noted 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 in 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-funds' individual portfolios, based on ESG sustainability factors.

The final score results from drawing the average of the individual ESG scores provided by the external provider Clarity to each company/issuer. Regarding Clarity´s score, it must be clarified that 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.

(c) PAIs: see section (b)

(d) Minimum % of sustainable investments:

In addition to what has been explained in section (b), 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) are 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 previously.

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.

Moreover, whereas the "best in class criterion" does not represent a necessary condition to be considered an investible asset, Value Tree values it positively if the company/issuer complies with it. In essence, Value Tree 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 Clarity.

(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.

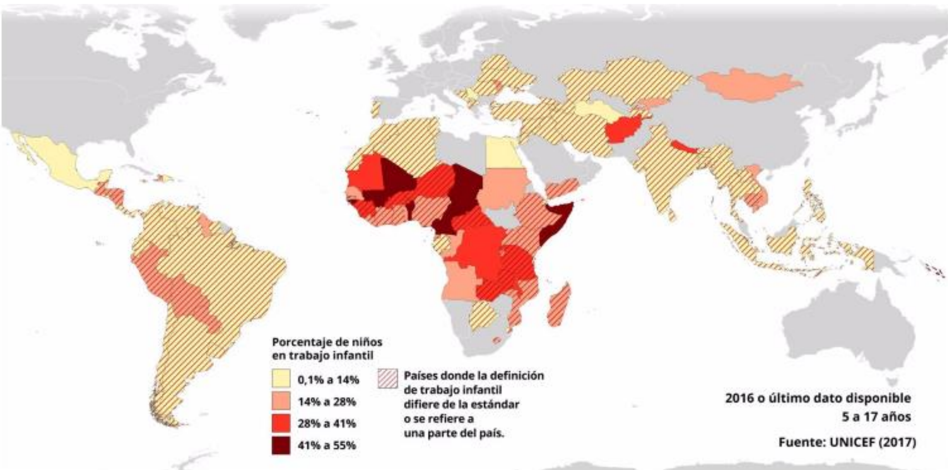
2. Issues from countries demonstrating a high level of commitment towards political rights and civil liberties, are also preferred. To measure this, Value Tree positively values those countries with a high "freedom score" in this respect, based on the Freedom House methodology:

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:



(e) Proportion of investments

As explained previously, the following four areas of analysis represent the fundamental pillars on which the policy rests to promote some ESG characteristics and to comply with Article 8 of the SFDR:

(a) sector exclusion criteria
(b) attainment of >50/100 ESG scoring
(c) PAIs consideration (Principal Adverse Impacts)

(d) minimum % of sustainable investments (green/social/sustainable bonds), except for Value Tree European Equities

To ensure minimum ESG standards at sub-fund level and to promote ESG characteristics in accordance with Art. 8 SFDR, criteria (a) and (c) must be fully met by the entirety of the sub-funds' portfolios. In terms of criterion (b), at least an 80% of each of the sub-funds' portfolios must align with it. Finally, criterion (d) must be met as described in the section "No sustainable investment objective".

(f) Monitoring of environmental or social characteristics

To ensure the sub-funds' continuous compliance with this policy, the following key internal monitoring processes, through external providers (especially, Clarity) have been established:

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

(g) Methodologies

The achievement of the ESG characteristics promoted by the sub-funds is driven by the methodologies, as well as the monitoring process, that have been developed in this context and that are described in the section "Investment Strategy" (please refer to this section on pages 4, 5 and 6 for further details on the concrete methodologies that have been put in place).

(h) Data sources and processing

To implement the policy described throughout this document, information and sets of data from external data providers (for example: Bloomberg, MSCI, Sustainalytics, etc.) are consulted, yet Clarity has been selected as the central external data provider from which datasets are extracted in order to effectively monitor de evolution of the sub-funds in terms of ESG performance.

It is to be noted that Clarity has been selected by Value Tree as the central external data provider given it is the leading/one of the leading external ESG data providers.

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 the sub-funds' Investor Manager to cover almost the entire investment universe. In any case, data availability and accuracy are expected to continue improving as estimates will certainly be replaced by real data as the regulation advances and obliges issuers/companies to disclose ESG data.

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.

To ensure high data quality and that the policy is correctly met, the Investor Manager's Asset Management team undertakes reviews regularly, as described on section (h) and engages on frequent conversations with Clarity's analysts to clarify any potential issues regarding data provided.

(i) Limitations to methodologies and data

As explained, the ESG policy applied the sub-funds' investment process is implemented on the basis of Value Tree´s best effort considering local regulations, investors´ interest and based on external providers' data, especially that of Clarity.

The set of criteria and metrics analysed are subject to dynamic reviews given the continuously increasing volume and depth of sustainability-related disclosures 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.

- 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.

The ESG data gathered/consulted do not constitute investment advice or recommendations by such providers. All rights in the data and reports provided by third-party licensors vest in such licensors and/or their content providers. None of such licensors or their affiliates, or their content providers, accept any liability for any errors, omissions or interruptions in such data/reports as to completeness, accuracy or timeliness.

(j) Due diligence

To ensure full compliance with this policy, the sub-funds' underlying assets are carefully reviewed in accordance with this policy prior to becoming part of the sub-funds' portfolios and throughout the period in which the investments in each of these assets are maintained. If at any point any of the assets within any of the sub-funds do not meet the requirements detailed throughout this document, a decision is to be taken (e.g. avoid the investment, sell the position, etc.).

(k) Engagement policies

To improve the ESG monitoring processes, Clarity is used as they central external data provider (additional data providers are consulted when necessary). Frequent conversations with (a) the analysts covering the companies and (b) Clarity's analysts take place to improve data accuracy and consistency and clarify any potential issues regarding data provided.

While there is no direct engagement with the investee companies (engagement with companies is limited given the sub-funds' investment size relative to their market capitalisations as the sub-funds invest mainly in large cap companies), engagement with third-party funds' management teams present in the portfolios is frequent.

In addition, controversies are checked using Clarity's tool.

(l) No designated reference benchmark

No index has been designated as a reference benchmark for the purpose of attaining the E/S characteristics promoted by the sub-funds.

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