Value Tree´s Sustainability Risk Integration Policy

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

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1. Preparation, approval and version history

Preparation	Value Tree, AV, S.A. (hereafter, Value Tree)	
Approval	Responsible: Board of Directors at Value Tree AV, S.A.	
Version history	Description and/or update reason	Approval date
	v.1. Sustainability risk integration policy and consideration of PAIs at product level (initial version)	22nd December 2022
	v.2. Update due to change of environmental, social and governance (ESG) data external provider	12th May 2023
	v.3. Modification due to slight change in analysis procedure due to update of external ESG data provider	11th July 2023
	v.4. Modification resulting from the change of name of the sub-fund Value Tree Best Equities (now called Value Tree European Equities)	18th October 2023

2. Object and scope of application

Value Tree is progressively incorporating performance measurement and sustainability information (Environmental, Social and Corporate Governance) into its portfolio management activity and collective investment vehicles managed by delegation.

In the field of sustainable finance, we list some examples of information of an environmental, social or governance nature (hereinafter, according to its acronym in English, ESG) that companies usually identify and apply, based on calculation metrics and performance measurement, to integrate them into their financial, strategic and operational objectives.

- Environment: it refers to the respect that the company has for nature and the environment in general. Factors such as the following could be considered: use of renewable energy, pollution, waste generation, treatment of animals, respect for the environment, respect for biodiversity, reduction of greenhouse gas emissions, etc.

- Social: it refers to the way in which the company develops its business relationships with stakeholders, mainly with workers, suppliers, shareholders, administrations, etc. Factors such as the following could be considered: health, education, human rights and workers' rights (risks and working conditions, children exploitation, immigrants or people at risk of social exclusion, etc.).

- Corporate governance: it refers to the actions of the company's governance and what this implies. Factors such as the following could be considered: transparency in the company's accounting and non-financial information, the degree of decision given to the company's shareholders, the independence and composition of the governing bodies, the reduction in the salary gap between men and women, the management or avoidance of conflicts of interest with managers, etc.

It is to be stated that the policy described in this document is dynamic and is subject to changes due to developments in current regulations and the evolution of Value Tree's philosophy itself in terms of sustainability risk treatment in investment processes.

This sustainability risk integration policy applies to Value Tree with respect to the assets managed under the portfolio management service and the investment vehicles it manages, having a complementary nature to the individualised portfolio management and the specific investment policy of each of the managed vehicles.

3. Regulation

The Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (hereinafter SFDR), establishes in its article 3 that "Financial markets participants and financial advisers will publish on their websites information about their policy on sustainability risk integration in their investment decision-making process".

In addition, the Regulation itself indicates that sustainability risk must be understood as an environmental, social or governance fact or condition that, if it occurs, could cause a real or possible negative material impact on the value of the investment.

Likewise, the SFDR takes into account the principles of Proportionality and Materiality in its interpretation, application and compliance. Regarding the Principle of Proportionality, in the Regulation itself, it is included in Recital 15, "This Regulation should be without prejudice to the rules on the risk integration under Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations (EU) No 345/2013 and (EU) No 346/2013 and as well as under national law governing personal and individual pension products, including but not limited to the relevant applicable proportionality criteria such as size, internal organisation and the nature, 9.12.2019 EN Official Journal of the European Union L 317/3 scope and complexity of the activities in question".

Furthermore, the Principle of Materiality is included in various provisions of the SFDR, such as Recital 23, which establishes that, "To enhance transparency and inform end investors, access to information on how financial market participants and financial advisers integrate relevant sustainability risks, whether material or likely to be material, in their investment decision making processes, including the organisational, risk management and governance aspects of such processes, and in their advisory processes, respectively, should be regulated by requiring those entities to maintain concise information about those policies on their websites.".

Taking into account the above, material in the field of sustainability must be understood as information that can be considered reasonably representative of the economic, environmental and social effects of a company/issuer or that can influence the decisions of stakeholders, considering that the level of materiality depends on the business sector, the economic activity or the geography of the ESG factors and that, in addition, it has a variable of a temporary nature. Specifically, the materiality criteria of external ESG data providers, described in the fourth section, will be followed.

4. Sustainability risk integration process

As a responsible investor, Value Tree seeks to manage ESG risks and opportunities when investing on behalf of its clients.

This policy is based on the conviction that the integration of sustainability factors in the analysis and investment process will have an increasing importance in the coming years. In this sense, Value Tree considers that the systematic and periodic incorporation of extra-financial information of an environmental, social or governance nature in valuation models and investment decisions together with the traditional analysis of any investment contributes to the achievement of both, a greater efficiency in the evaluation of the risks of the investments and their corresponding mitigants and a favorable effect on the results of the companies in the long term, favouring, therefore, its clients´ financial wealth performance in the long term and a greater economic and social progress.

Therefore, the incorporation of extra financial information, as a complement to the traditional analysis of any investment, has become a necessary tool:

- To restrict or disinvest in assets within the portfolios when they generate a high exposure to ESG risks, which may ultimately affect the behavior of such portfolios.

- To concentrate investments in companies that have implemented policies to manage the environmental, social and governance impact of their economic activities, and that are also observable and measurable.

- To improve the performance of the investments managed through active dialogue with the companies within the investment universe and/or the analysts that cover them and limit the exposure of clients to possible reputational risks.

Value Tree's investment process incorporates sustainability risks in the decision-making process based on the extra-financial information provided by the companies themselves and by the analyses of third-party providers of recognised prestige and extensive experience in sustainability analysis (Clarity).

For the analysis of sustainability risks, Value Tree has its own methodology based on combining the information published by the companies in which it invests and scores from external ESG analysis providers. This process aims to identify those sectors, products and services that meet certain standards of good performance and/or improvement of companies/issuers in terms of ESG matters, that focus on material issues such as certain aspects related to the environment, health, human rights and governance.

5. Information on principal adverse impacts (PAIs) regarding sustainability

One of the objectives of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR") is to reduce the asymmetries of information regarding, among others, the analysis of adverse impacts in terms of sustainability, by requiring financial market participants and financial advisors to disclose certain information in this area and publish it on their websites.

The PAIs should be understood as those incidences of advice and investment decisions that have negative effects on sustainability factors (ESG), that is, environmental and social issues, as well as those relating to companies´ internal governance.

For these purposes, Value Tree at entity level, in its portfolio management activity, does not take into account the principal adverse impacts on the sustainability factors (PAIs), given that the level of diversification of the vast majority of the portfolios is significantly high and given that there is currently no due diligence policy in relation to such adverse incidents at entity level.

Having said so, Value Tree informs that it takes into account the adverse impacts on the sustainability factors at product level, specifically in the management of the following four sub-funds within the Luxembourg SICAV VALUE TREE UMBRELLA SICAV: Value Tree Defensive, Value Tree Balanced, Value Tree Dynamic and Value Tree European Equities.

As defined in the aforementioned Regulation, PAIs must be understood as the advice and investment decisions´ incidences that have negative effects on sustainability factors, understood as all the information related to environmental and social issues, as well as related to personnel, human rights´ respect and the fight against corruption and bribery.

6. Policy approval, review and monitoring

The final approval of the Sustainability Risk Integration Policy corresponds to the Board of Directors, which will adopt the necessary measures for the implementation and supervision of the development and application of the policy, being the recipient of the annual reports prepared for this purpose on its application. and result. The holder of this policy is the Board of Directors of Value Tree and any subsequent substantial revision and modification must be approved by the Board of Directors.

Regarding the periodic review of the policy, the Value Tree management team together with the Regulatory Compliance function and the Management will be responsible for reviewing this policy on a regular basis, at least annually, and, where appropriate, undertaking the necessary modifications.

Value Tree´s management team is the area responsible for applying the criteria established in this policy and in the corresponding internal procedures when making investment decisions. Likewise, the management team that meets weekly (Investment Committee) is the group responsible for establishing the necessary steps for the implementation of the aforementioned general principles of action and ensuring compliance with the policy, in coordination with Value Tree´s Management Committee.

The risk integration policy, as well as future updates, will be published on the website as well as future updates: www.valuetree.es