SUSTAINABILITY-RELATED DISCLOSURE

European Senior Floating Rate Fund – ESG Selection

This document provides you with information about this Fund in relation to the Sustainable Finance Disclosure Regulation. It is not marketing material. The information is required by law to help you understand the sustainability characteristics and/or objectives and risks of this Fund. You are advised to read it in conjunction with other relevant documentation on this Fund so you can make an informed decision about whether to invest.

A. Summary

This section summarises all the information contained in the different sections of the present document.

This financial product (also referred to as the "Fund") promotes environmental or social characteristics, but does not have as its objective sustainable investment. No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted. The Fund promotes the following environmental and social characteristics:

- Environmental characteristics: climate change, natural resource use, waste management and environmental opportunities.
- Social characteristics: human capital management, product safety, social opportunities, as well as supply chain management.

The Fund promotes and attains the environmental and/or social characteristics by a five-step approach well defined in its investment strategy: (i) Data gathering: The Portfolio Manager collects data on the ESG performance of potential investments by performing an ESG due diligence on them; (ii) Application of negative criteria: The Portfolio Manager applies a negative screening policy by which it excludes from the Fund's investment universe securities directly or indirectly linked to companies the primary business activity (as defined below) of which entails controversial practices; (iii) Application of positive criteria/Assignment of an internal ESG score: The Portfolio Manager assigns an internal ESG score to every potential investment on the basis of the data collected. The scores range from 0 to 100, with 100 classified as the best possible score; (iv) Impact of ESG scores on investment allocation: The internal ESG score limits the possible maximum exposure of the Fund to a certain potential investment, and total investments with regards to a certain category of investments; (v) Monitoring and engagement: Reviews of assigned scores are carried out quarterly and may in addition occur on a punctual basis (triggered by any ESG related news, events or by proposal of the competent persons as determined by the Portfolio Manager).

Assessment of corporate governance is a fully integrated in the investment process and feeds into the ESG score assigned to every investee company.

At the time of the assignment of the ESG score, the Portfolio Manager sets engagement targets, upon which companies' performance is evaluated quarterly. In the event of any ESG related news or events affecting a company whose securities are held in the portfolio of the Fund, the company's performance is reviewed and the Portfolio Manager makes the relevant decision.

B. No sustainable investment objective

The Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

C. Environmental or social characteristics of the financial product

What are the environmental or social characteristics that the financial products promotes?

The Fund promotes the following environmental and social characteristics:

- Environmental characteristics: climate change, natural resource use, waste management and environmental opportunities.

Social characteristics: human capital management, product safety, social opportunities, as well as supply chain management.

D. Investment strategy

What is the investment strategy used to meet the environmental or social characteristics promoted by the financial product?

The Fund promotes and attains the environmental and/or social characteristics by a five-step approach well defined in its investment strategy.

The five-step approach is the following:

1. Data gathering: The Portfolio Manager collects data on the ESG performance of potential investments by performing an ESG due diligence on them. In addition to the internally performed due diligence, ESG factors are evaluated by the portfolio manager using data -when available- from independent ESG research providers, which form part of the Portfolio Manager's investment analysis. Based on the data gathered, the investment analysts of the Portfolio Manager determines the ESG compliance of companies in accordance with both negative and positive criteria (i.e. negative criteria which, if present, prevent the Fund from making a certain investment) and positive criteria (i.e. criteria which are considered with respect to a potential investment in order for the Fund to be allowed to make the investment).
2. Application of negative criteria: The Portfolio Manager applies a negative screening policy by which it excludes from the Fund's investment universe securities directly or indirectly linked to companies the primary business activity (as defined below) of which entails controversial practices, including at least but not limited to:
    a) Production of or trade in weapons and firearms,
    b) Extraction of oil and gas, thermal coal mining,
    c) Tobacco,
    d) Production of protected wildlife threatening substances which is banned by applicable global conventions and agreements,
    e) Pornography or prostitution,
    f) Gambling,
    g) Subprime lending or payday lending activities.

Primary business activity is defined as any relevant business, trade of production from which the obligor derives

more than 50% of its revenues.

The Portfolio Manager also excludes from the investment universe, companies which do not comply with the ten principles of the United Nations Global Compact (an UN corporate sustainability initiative formed on 26 July 2000) and which are rated with an insufficient internal ESG score

3. Application of positive criteria/Assignment of an internal ESG score: The Portfolio Manager assigns an internal ESG score to every potential investment on the basis of the data collected. The scores range from 0 to 100, with 100 classified as the best possible score.

The ESG score takes into account both external scores and internal research. The main steps used in assigning an Arcano ESG scores are detailed below:

- The country/sector score assigned to every issuer by external independent ESG Data Providers is used as the base for our ESG risk assessment.
- Based on analysts' interaction with the company and on all internally gathered ESG information.
- The investment committee may propose a downward or upward adjustment of up to 20 points to the external independent ESG score. This is meant to reflect the Portfolio Manager appreciation of the 3 following factors:
  - Quality: this factor reflects the insights from the Portfolio Manager analysts' direct analysis of the robustness of the company's ESG structure, policy and incentives. It includes a detailed analysis of Environmental, Social and
  - Governance performance of the company. Improvement: this adjustment is meant to capture the expected forward evolution of ESG risk for the company not taken into account in the initial ESG score. Companies with a proactive ESG strategy and an improving risk profile benefit from a positive adjustment. Conversely, companies with a deteriorating ESG performance are penalized with a negative adjustment due to our perception of increasing future ESG risk exposure.
  - Transparency: Improving the quality and availability of information to allow the investment community to develop a better appreciation of the ESG risk linked to every issuer is one of our key long-term ESG objectives. Transparency in communication is pivotal in this perspective and is taken into account in our internal assessment.

To calculate ESG weights, the Portfolio Manager uses the implementation of scoring bands. Each issuer in the baseline index is bucketed into bands 1 – 5:

- Band 1 = Scores equal to or higher than 80
- Band 2 = equal to or higher than 60, less than 80
- Band 3 = Scores equal to or higher than 40, less than 60
- Band 4 = Scores equal to or higher than 20, less than 40 Scores
- Band 5 = Scores lower than 20

Each band functions as a scale which is utilized in the overall ESG integration approach described in the section "(g) Methodologies" of this document.

4. Impact of ESG scores on investment allocation: The internal ESG score limits the possible maximum exposure of the Fund to (i) a certain potential investment, and (ii) total investments with regards to a certain category of investments. Please refer to "(g) Methodologies" for further information. Regardless of the maximum exposure determined by the Fund, the limits set by applicable regulatory laws and rules apply to each of the potential investments.

5. Monitoring and engagement: Reviews of assigned scores are carried out quarterly and may in addition occur on a punctual basis (triggered by any ESG related news, events or by proposal of the competent persons as determined by the Portfolio Manager). At the time of the assignment of the ESG score, the Portfolio Manager sets engagement targets, upon which companies' performance is evaluated quarterly. In the event of any ESG related news or events affecting a company whose securities are held in the portfolio of the Fund, the

company's performance is reviewed and the Portfolio Manager makes the relevant decision.

What is the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance?

Assessment of corporate governance is a fully integrated in the investment process and feeds into the ESG score assigned to every investee company. The Fund evaluates corporate governance based on the following key metrics:

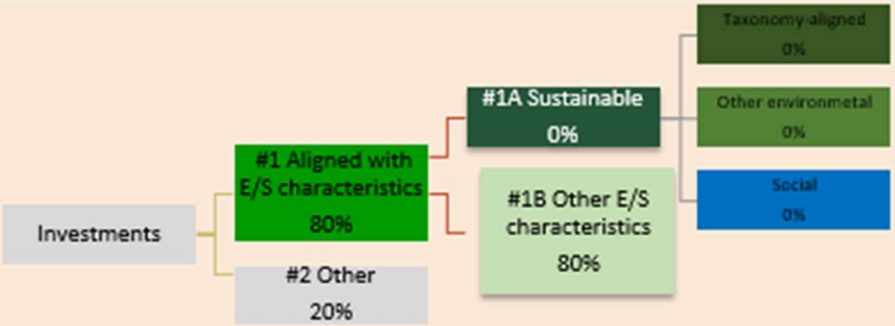
1) Nature of shareholders
2) Separation of Chairman / CEO positions

These criteria have a weight in the internal ESG scores, being a fundamental part of the ESG investment strategy of the Fund

E. Proportion of investments

As of today, the asset allocation in #1 and #2 is respectively a minimum of 80% and a maximum of 20%. The allocation is subject to further development. The Fund intends to increase the allocation to "#1 Aligned with E/S characteristics" should the investible universe evolve to allow a higher level of investment.

Asset allocation table



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmen or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or soc characteristics that do not qualify as sustainable investments.

F. Monitoring of environmental or social characteristics

How are the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product monitored throughout the lifecycle of the financial product and what are the related internal or external control mechanisms?

A description of the monitoring process can be found in the section "(d) Investment Strategy" of this document. The Fund uses the following environmental and social indicators to measure the attainment of each of those environmental or social characteristics promoted by the Fund:

- The environmental criteria/indicators that are studied in the investment process are the following:

  I. Existence of an environmental policy;
  II. Capex in risk locations;

  And when available:

  III. Energy consumption;
  IV. Greenhouse gas emissions;
  V. Geographic exposure to natural disasters and
  VI. Level of environmental controversies

- The social criteria/indicators that are studied in the investment process are the following:

  I. Importance of human resources;
  II. % of the workforce in countries with Human Rights problems;

  And when available:

  III. Staff turnover;
  IV. Frequency of occupational accidents;
  V. Restructuring of provisions as a % of Ebitda;
  VI. Level of social controversies

G. Methodologies

What are the methodologies to measure how the social or environmental characteristics promoted by the financial product are met?

In addition to the methodology described in the section "(d) Investment Strategy"of this document, the Fund follows the following methodology depending on the implemented ESG scoring band assigned to the issuer:

- Issuers in Band 1 have no weighting limitation (subject to the general investment restrictions set out in the prospectus and in the 2010 Law).
- Issuers in Band 2 may represent a maximum weight of 5% in the portfolio (per issuer).
- Issuers in Band 3 may represent a maximum weight of 3.5% in the portfolio (per issuer). The sum of all

issuers in Band 3 shall not represent more than 45% of portfolio allocation.

- Issuers in Band 4 may represent a maximum weight of 2.75% in the portfolio (per issuer). A formal justification and enhanced monitoring will be required for any issuer accounting for more than 2% of the fund falling in Band 4. The sum of all issuers in Band 4 shall not represent more than 25% of portfolio allocation.
- Issuers in Band 5 will be excluded and will not be eligible for investment. If, subsequent to investment, any company in the portfolio falls into Band 5 due to the emergence of new information/a change in the committee appraisal of its ESG risk, the Portfolio Manager has no more than one (1) month to dispose the totality of the position..

H. Data sources and processing

- ***How are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?***
- ***What measures are taken to ensure data quality?***
- ***How is data processed?***
- ***What is the proportion of data that are estimated?***

A description of the data sources and processing can be found in the section "(d) Investment Strategy" of this document.

I. Limitations to methodologies and data

What are potential limitations to the methodologies or data sources and how do such limitations not affect how the environmental or social characteristics promoted by the financial product are met?

The principal limitations to the methodologies or data sources that the Fund faces is mainly the lack of information disclosure some companies of the portfolio can display. To ensure such limitations do not affect how the environmental or social characteristics are promoted, when a company misses any relevant KPIs we measure, it affects negatively to the overall score of the company which limits the possible maximum exposure of the Fund to a certain potential investment, and total investments with regards to a certain category of investments.

J. Due diligence

¿Cuáles son las medidas de diligencia debida adoptadas respecto de los activos subyacentes del producto financiero, incluidos los controles externos e internos sobre dicha diligencia debida?

A description of the due diligence can be found in the section "(d) Investment Strategy" of this document.

K. Engagement policies

What is the engagement policy applied, in the case that engagement is part of the environmental or social investment strategy (including any management procedures applicable to sustainability-related controversies in investee companies)?

At the time of the assignment of the ESG score, the Portfolio Manager sets engagement targets, upon which companies' performance is evaluated quarterly. In the event of any ESG related news or events affecting a company whose securities are held in the portfolio of the Fund, the company's performance is reviewed and the Portfolio Manager makes the relevant decision.

L. Designated reference benchmark

Has an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product? If yes, how that index is aligned with the environmental or social characteristics promoted by the financial product, and where can one find information with regards to input data, methodologies used to select those data, the rebalancing methodologies and index calculations?

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted.