

RESPONSIBLE INVESTMENT AND ENGAGEMENT POLICY

March 2023

This responsible investment and engagement policy defines the way in which Varenne Capital Partners integrates ESG and engagement into its investment approach.

Varenne Capital Partners is committed to being a responsible investor and taking environmental, social and governance (ESG) issues into account in its investment process.

Our approach encompasses the beliefs, standards, procedures, and activities by which we exercise our responsibility towards our clients, who entrust us with the management of their assets. At Varenne Capital, we believe that:

- Responsible investment improves long-term economic and market stability, while directing capital to activities that have positive social and environmental impacts.
- Responsible investment is relevant in both the selection of investments as well as the management and stewardship of assets.
- In addition to fundamental financial indicators, ESG factors and sustainability risks are an essential analytical component when determining the value of a company.

1. ESG INTEGRATION IN THE INVESTMENT STRATEGY

Varenne Capital Partners is an independent investment manager whose purpose is to deliver investors with superior long-term returns with the minimum necessary risk-taking.

To achieve this goal, we develop and combine complementary performance drivers: Long Equity, Short Equity, Merger Arbitrage and Tail Risk Hedging. Varenne Capital Partners' management relies exclusively on internal origination and proprietary research based on a structured and formalised investment process.

This unique structure enables us to add value in five steps:

- Reduction and refinement of the investment universe;
- Generation of original ideas;
- Analysis and direct assessment of investment opportunities;
- Systematic portfolio construction;
- Direct execution in the market through our internal trading desk.

The portfolio construction model determines optimal exposures and targets continuous improvement in the risk/return profile of our portfolios.

Since 2019, Varenne Capital Partners has formalised its Environmental, Social and Governance (ESG) policy, which is applied in the Long Equity - Enterprise Picking strategy. It is the foundation of our investment management strategy and comprises an idiosyncratic selection of high-quality securities purchased at a significant discount to our fair value estimate. The holdings in this strategy are long-term, high-conviction positions that can be held in the portfolio for many years, depending on the company's value creation dynamics and its stock market performance. This strategy represents more than 50% of the assets of funds managed.

The integration of ESG criteria in our investment strategy is based on three complementary pillars:

- **Exclusion**

Varenne Capital excludes from its investment universe those companies with operations in areas such as controversial and nuclear weapons, pornography, tobacco, or companies which are found to be in breach of the UN Global Compact principles as covered and assessed by our providers. The criteria for exclusion are reviewed each year, with respect to the sectors considered and the percentage turnover exclusion limits.

Sector	Turnover % limit
Controversial weapons	Any Tie
Nuclear weapons	7.5%
Coal	30%
Pornography	2%
Tobacco	15%

- **ESG Scoring**

Varenne Capital has developed a proprietary ESG scoring methodology. The Management Company has determined a list of criteria which combine ESG and sustainability risk indicators that are considered material to the companies and sectors in which the funds might invest.

The Management Company considers that the materiality of risks and opportunities varies by sector/industry; and as such impacts the internal definitions that are used to assign internal ESG scores on a scale of 0-5. The aggregate ESG scores are the weighted average of the E, S and G scores for the securities, utilizing weights that vary by sector/industry.

The scoring methodology combines both quantitative and qualitative analysis in 40 separate indicators. This dedicated ESG analysis module is an integral part of the pre-investment analysis process. For a given company, if the aggregate ESG score is less than 3 (where 0 = worst and 5 = best), then the company is not eligible for investment, no matter how strong its performance on the other proprietary analysis modules may be.

Below are the key environmental, social and governance factors that the investment team considers material to its internal ESG Scores.

E factors	S factors	G factors
<ul style="list-style-type: none"> - Carbon emissions - Energy and Water Management Opportunities - Waste & Hazardous Material Management - Biodiversity Impact. 	<ul style="list-style-type: none"> - Employee Health & Safety - Employee Engagement, Diversity, and Inclusion - Human Rights & Community Relations 	<ul style="list-style-type: none"> - Corporate Governance - Business Ethics - Tax Transparency - Regulatory Risk

In addition to sustainability metrics, factors related to the transparency and availability of information and the existence of robust internal processes, controls and procedures are also integrated into the scoring system.

The ESG score is reviewed, together with the other company fundamentals, at the Investment Committee meeting where a stock is deemed eligible for inclusion in our portfolio. Varenne Capital believes that environmental, social and governance factors are sustainability risk elements that, if not managed properly by companies, may alter their value creation dynamics over time and are material to their financial quality.

Internal ESG scores for each company in the portfolio and the scoring methodology are reviewed at least annually.

- **Active ownership: voting and engagement**

As a long-term investor, Varenne Capital considers it essential to be an active investor on behalf of the funds it manages and to participate in the consideration of environmental, social and governance issues through an appropriate voting policy. Varenne Capital Partners uses the services of International Shareholder Services Inc. (ISS) to exercise its voting rights. Voting is in line with recommendations that incorporate best practices in governance, actions to be taken and processes on subjects related to the Environmental and Social pillars. Our voting also follows the principles of promoting accountability, transparency, honesty, and integrity within

companies.

Reflecting its commitment to transparency, Varenne Capital Partners publishes a report on the exercise of voting rights on its website every year.

As an independent management company, Varenne Capital Partners is free from any conflict of interest that may arise from offering other financial services to the companies on which it votes.

Varenne Capital considers dialogue with the management teams of the selected companies a necessary analytical step before any investment in the Enterprise Picking basket can be completed. As a matter of course, Varenne Capital excludes the possibility of becoming a shareholder in a company that does not meet the basic criteria of transparency and willingness to engage in dialogue with its investors. This crucial activity occurs at the end of the analysis process and enables our analysts to assess the quality of the management team, the soundness of the strategy implemented and the resources available to deploy it successfully. Once a position has been initiated, we aim to engage in regular, open dialogue with the company throughout the life of the investment. Any deterioration in the quality of interactions could lead to a complete divestment.

Following the internal ESG scoring process, Varenne Capital will identify companies in the bottom quintile in the strategy and engage with them to improve ESG disclosure and/or improve ESG practices.

In addition, Varenne Capital Partners has chosen to participate in the pooled engagement actions carried out by ISS. This allows the company to push for governance improvements and the overall promotion of more sustainable economic development in a wider universe than just the companies present in our portfolio. ISS analysts identify serious, systematic, or systemic, alleged or proven breaches of compliance with international standards and guidelines on responsible conduct by certain private sector issuers. Every year, ISS engages approximately 100 such issuers on behalf of all signatories of the pooled engagement to engage in a constructive dialogue with companies on issues identified in their policies and practices. The companies selected by ISS each year are not necessarily present at the time of engagement in the portfolios of the funds under management but are part of the investment universe. .

2. PRINCIPLES FOR RESPONSIBLE INVESTMENT

Varenne Capital Partners became a signatory of the UN-supported Principles for Responsible Investment (PRI) in March 2020. The Principles for Responsible Investment were developed by an international group of institutional investors in response to the increasing environmental, social and corporate governance issues surrounding investment practices. The process was organised by the United Nations Secretary-General.

By signing the Principles, Varenne Capital makes a public commitment to adopt and implement them, as well as to evaluate their effectiveness and improve their content over time. As such, the Management Company can align their investment activities with the public interest over the long term.

A progress report is completed annually by each of the signatories and is available on the PRI website.

3. GOVERNANCE

The approach and implementation of the responsible investment and shareholder engagement policy is overseen by the ESG Committee. This committee includes members of the Investment Committee, as well as the relevant investment management teams and the Company's CCO.

The ESG Committee verifies the integration of ESG criteria into the investment process, annually reviews the proprietary scoring system and monitors the list of exclusions and controversies. It also reviews responsible investment and voting policies and reports.

The Committee oversees the company's culture and values, as well as ensuring a coordinated approach in line with the policies across our business.

The Risks Committee reviews at least annually the proper implementation of the responsible investment policy and the voting policy. Possible anomalies or exceptions are duly reported to the ESG Committee.

VARENNE CAPITAL PARTNERS

Société par Actions Simplifiée - RCS Paris B 445 000 136 - CODE APE 741G
42, avenue Montaigne - 75008 PARIS - Tel: +33 (0)1 70 38 81 22
mail: contact@varennecapital.com / www.varennecapital.com