



As part of a global reflection on the impact of its investments, Chahine Capital has decided to adopt a responsible approach in the choice of its investments.

It is essential for us at Chahine Capital to align the interests of investors with the general interests of civil society. We have therefore integrate ESG concerns and criteria into our investment processes, so that the notion of long-term investment is in line with respect for the future generations.

Chahine Capital is a UNPRI signatory since 2019 and is committed to its 6 principles. The fund Digital Stars Eurozone follows a more stringent ESG investment policy than the other Digital Stars funds. In this context, the fund has two ESG objectives:

- 1. Limit the environmental, social and governance impacts of its investments,**
- 2. Favor companies with the lowest exposure to ESG risks, taking into account their ability to manage these risks.**

This document covers the whole ESG investment policy applied to Digital Stars Eurozone, included the parts shared with the other Digital Stars funds

1. Governance

Chahine Capital's management committee, composed of the CEO, the CIO and the head of risk and compliance, defines the ESG policy. It is implemented by the investment team, integrated into the application of the quantitative models and applied to all investments in the "Digital Stars" portfolios. Its strict application is monitored daily by the risk management.

Note that the use of derivatives for Digital Stars Eurozone will be restricted to listed index futures. It will be temporary, only in the context of managing a large subscription, and the resulting exposure may not exceed 10% of the assets of the subfund.

As specified in its prospectus, Digital Stars Eurozone will not engage in securities lending transactions as lender or borrower.

2. Exclusions

A – Norm-based exclusions

We exclude companies that manufacture or distribute anti-personnel mines from all of our funds according to the Ottawa Treaty (entered into force in 1999).

We exclude companies that manufacture or distribute cluster munitions from all of our funds in accordance with the *Convention on Cluster Munitions* (entered into force in 2010).

We exclude companies that do not comply with the following fundamental ethical standards: the UN Global Compact, the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises (as far as relevant), The ILO (International Labour Organization) Conventions. These mainly take into account such as violation of individual rights, non-respect of human rights, major environmental damage, etc.

We exclude companies domiciled in controversial "Call to Action" jurisdictions (e.g. Iran and North Korea) identified by the Financial Action Task Force.

B – Sector exclusions

We have decided to exclude certain sectors and practices from Digital Stars Eurozone, and not to invest in companies facing one of the following cases



Weapons sector

- The company is active in the production, sales and distribution of non-conventional weapons. It involves cluster bombs, anti-personnel mines, biological, chemical or depleted uranium weapons, as well as white phosphorus and nuclear weapons;
- Production, sale or distribution of conventional weapons (war material) represents more than 5% of revenues;

Energy sector

- The company's absolute production of or capacity for thermal coal-related products/services has increased.
- The revenue from the company's activities involved in the exploration, mining, extraction, transportation, distribution or refining of thermal coal or in the provision of equipment or services dedicated to these activities is more than 5%;
- The company's absolute production of or capacity for unconventional oil and gas-related products/services has increased.
- The activities related to unconventional oil and gas, such as oil sands extraction, shale oil, shale gas and Arctic drilling represents more than 5% of revenues;
- The company is excluded if it is involved in the exploration, extraction, refining and transportation of conventional oil and gas or provides equipment or services dedicated to these activities, provided it does not meet at least one of these criteria:
 - have a SBTi (Science Based Target initiative) target set at well-below 2°C or 1.5°C, or have a SBTi "Business Ambition for 1.5°C" commitment;
 - derive less than 5% of its revenues from oil and gas-related activities;
 - have less than 15% of CapEx dedicated to oil and gas-related activities and not with the objective of increasing revenue;
 - have more than 15% of CapEx dedicated to contributing activities to sustainable development objectives (Taxonomy);

Power generation sector

- The coal-fired electricity generation represents more than 5% of turnover;
- Production, sale or distribution of nuclear-based power generation exceeds 5% of turnover. This includes uranium extraction, uranium concentration, refining, conversion and enrichment, the production of nuclear fuel structures, construction and use of nuclear reactors. It also includes treatment of spent nuclear fuel, nuclear decommissioning and radioactive waste management;
- A companies involved in the generation of power/heat from non-renewable energy sources, or providing dedicated equipment or services therefor is not excluded if it meets the following three conditions:
 - the company's absolute production of or capacity for coal-based or nuclear-based energy-related products/services shall not be structurally increasing;
 - the company's absolute production of or capacity for contributing products/services shall be increasing.
 - the company shall meet at least one of these criteria:
 - o have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi "Business Ambition for 1.5°C" commitment;
 - o derive more than 50% of its revenues from contributing activities to sustainable development objectives (Taxonomy);
 - o have more than 50% of CapEx dedicated to contributing activities to sustainable development objectives (Taxonomy);

Tobacco sector

- The production of traditional tobacco or related tobacco (such as e-cigarettes, new generation tobacco/nicotine products) exceeds 5% of sales;
- Tobacco sale or distribution represents more than 5% of total turnover;

Biodiversity

- The production of pesticides, palm oil or genetically modified organisms (GMOs) represents more than 5% of turnover;



Other sectors

- Income from activities related to:

- gambling exceeds 5% of sales;
- alcohol represents more than 20% of the turnover;
- non-medicinal drugs exceeds 5% of the turnover;
- adult entertainment (pornography) represents more than 5% of turnover.

C – Exclusions based on environmental, social and governance criteria

We use the the Sustainalytics database, a provider of extra-financial data, to evaluate the ESG positioning of companies in our investment universe and to exclude the worst of them. We exclude ESG Risk Ratings above 30 ("High" and "Severe"), as well as Carbon Risk Ratings above 30 ("High" or "Severe"). For companies that do not have an ESG Risk Rating (provided by Sustainalytics), they are assigned the average rating for the subsector (GICS sector level 3).

We have supplemented our existing daily-risk policy with a component related to ESG reputational risks. Indeed, business conduct risks related to human rights, labour, the environment and corruption can result in risks to a company's reputation and finances, and therefore in a risk for the final investor. Thus, we exclude companies with a high level of ESG controversy (levels defined in our ESG Risk Control procedure (available on demand)). We use the external RepRisk database for this purpose.

The total of the exclusions made on the basis of ESG criteria, norm-based exclusions and sector exclusions should represent at least 20% of our investment universe. If the previously announced criteria lead to a lower exclusion (less than 20%), the thresholds of the "ESG Risk Rating" and "Carbon Risk Rating" criteria could be lowered to reach a minimum exclusion of 20%.

3. Selection based on ESG criteria and monitoring portfolio

Our stock market assets selection strategy is the following:

- We start from the investment universe filtered by the exclusion criteria described in paragraph
- We apply to this universe the "Digital Stars" momentum models and pre-select the best momentums.
- These pre-selected assets will then be evaluated on the basis of our ESG indicator, which combines Sustainalytics' ESG Risk Rating and RepRisk's ESG Reputational Risk indicator. Currently, among the pre-selected stocks, the 12% of stocks with the best ESG indicators are integrated into the portfolio. We ensure that the ESG indicator for these stocks is in the top 50% of the initial investment universe.

Once integrated into the fund, the compliance of holdings with the ESG exclusion criteria is checked daily. In the event of non-compliance, the security is excluded, unless the causes of the deterioration of the security allow it to remain in the portfolio. The decision to exclude or maintain a security is systematically documented and included in the quarterly ESG activity reports as described in the "Transparency Reports" section.

4. SRI voting policy

Chahine Chahine Capital has set up an SRI voting policy with ISS as a partner. We therefore vote at all shareholders' meetings of the companies held in the Digital Funds and apply by default the SRI voting recommendations provided by ISS research. The detailed SRI voting policy is available [here](#).



5. Engagement policy

As quantitative investment managers, access to data is crucial for Chahine Capital, in particular for an all-cap fund like Digital Stars Eurozone. With that in mind, we are seeking to improve the availability of ESG data, especially for small and mid-capitalisation companies. For stocks not covered by Sustainalytics and RepRisk databases, Chahine Capital seeks to approach these data providers and also companies concerned to encourage them to disclose the necessary information. We engage in dialogue with companies whose contribution to the portfolio's carbon footprint or water consumption represents more than 20% of Digital Stars Eurozone portfolio. The detailed engagement policy is available [here](#).

6. Reporting – Transparency

An ESG activity report is produced every quarter and contains:

- The percentage of the investment universe filtered by our ESG criteria
- The economic impact of the ESG filter on the investment universe
- The list of companies excluded from the portfolio, with details of the reasons for their exclusion.
- The average ESG Risk Rating, Carbon Risk Rating and RRI of the funds and benchmarks, for comparison.
- The distribution of ESG Risk Rating for the fund and its benchmark, for comparison
- Indicators of environmental, social and governance performance of the fund and its benchmark, for comparison

This report is available on the website of the management company at this page:

<https://www.chahinecapital.com/responsible-investment/?lang=en>

A report on the exercise of voting rights is produced every quarter as well.

This report is also available on our website at this page: <https://www.chahinecapital.com/responsibleinvestment/?lang=en>