

General information on sustainability

Digital Funds - Digital Stars Eurozone



LEI : 529900G224IN5MYEFU82

Summary

The purpose of this document is to explain the different sustainability approaches implemented by our management company. We explain in detail how we take into account environmental and social characteristics in our investment strategy. This is done in particular through normative exclusions (UNGC not compliant), sector exclusions (weapons, coal, tobacco, alcohol, etc.) and linked to ESG controversies. The extra-financial data providers used, for instance Sustainalytics and RepRisk, are detailed, as well as the different indicators used and the methodology.

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of sustainable investments with an environmental objective:

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of sustainable investments with a social objective

It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 0% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but will not make any sustainable investments



Environmental or social characteristics of the financial product

We take into account the capacity of companies to manage environmental and social risks to which they are exposed through their activities. We therefore favour companies with the least exposure to ESG risks by excluding those with a high level of ESG risk. We also take into account company's carbon risk based on the transition to a low-carbon economy. We exclude companies with a high level of carbon risk. For these purposes, we use the Sustainalytics database.

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. We use the external RepRisk database for this purpose. RepRisk helps us reducing blind spots and shed light on the ESG and business conduct risks related to our investments.

At the end of investment process stocks are evaluated on the basis of an ESG indicator, which combines Sustainalytics' ESG Risk Rating and RepRisk's ESG Reputational Risk indicator. 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.

The fund promotes environmental and social characteristics such as respect for human rights and labour rights, peace, prevention of environmental risks, protection of the environment, prevention of impacts on biodiversity, limitation of carbon emissions, public health.

While the Fund promotes environmental characteristics within the meaning of Article 8 of the SFDR, it does not currently commit to investing in any "sustainable investment" within the meaning of the SFDR or Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment ("Taxonomy Regulation").



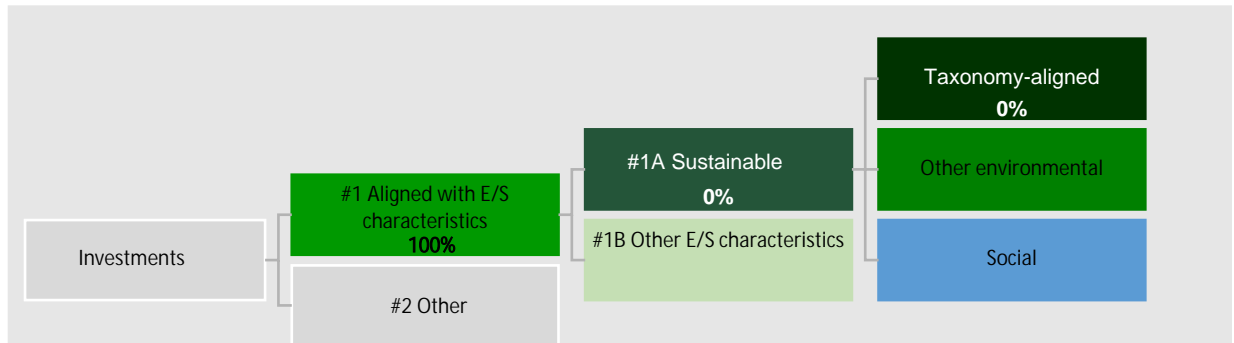
Investment strategy

The objective of DIGITAL FUNDS Stars Eurozone is to outperform the Eurozone markets, through the use of a model to identify the 'stars' performers. The fund seeks to limit the Environmental, Social and Governance (ESG) impacts of its investments and to favour companies with the lowest exposure to ESG risks, taking into account their ability to manage these risks. The fund will invest at least 80% in stocks from the main Eurozone member states followed by at least 3 brokers and whose capitalisation exceeds 100 million EUR. This investment universe will be further filtered for sustainability concerns. This will lead to a reduction of the investment universe by at least 20% by excluding companies that may be impacted by sustainability risks. The fund will be invested across all markets capitalisation spectrum including large capitalisation companies. The fund exposure to the stock market will remain between 80% and 100%. The fund will use momentum indicators such as the Price Momentum, a statistical concept measuring the significance of a price movement relative to the market, or the Earnings Momentum, that measures the strength of earnings estimates revisions. The stocks will also be evaluated on the basis of an in-house ESG scoring tool. An allocation of small and mid caps is incorporated into the portfolio. The MSCI EMU Net Return will serve as a reference benchmark solely for the calculation of performance fees. Due to the active nature of the management process and the full freedom of investment, the fund's performance profile may deviate significantly from that of the MSCI EMU Net Return. There is no guarantee that the investment objective will be achieved or that there will be a return on investment. The fund applies an investment policy that includes several exclusion criteria in order to meet the environmental and social characteristics promoted by the fund, such as the exclusion of companies with a high level of ESG and/or carbon risk that do not manage it sufficiently and normative exclusions. Sector exclusions are also in place for coal, nuclear, unconventional oil and gas, conventional oil and gas, palm oil, GMOs, pesticides, as well as the exclusion of companies with high environmental or social controversy indicators.



Proportion of investments

- #1 Aligned with E/S characteristics: 100%
- #1A Sustainable: 0%
- Taxonomy aligned : 0%
- Other environmental: 0%
- Social: 0%
- #1B Other E/S characteristics: 100%
- #2 Other: 0%



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

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



Monitoring of environmental or social characteristics

ESG Risk Rating quantifies a company's exposure to ESG risk and how well the company manages that risk. ESG Risk Rating is a score from 0 (less risky) to 100 (extremely risky): 0-10 is a negligible level of risk, 10-20 is a low level of risk, 20-30 is a medium level of risk, 30-40 is a high level of risk, and 40 and above is a serious level of risk.

Carbon Risk Rating assesses a company's carbon risk based on the transition to a low-carbon economy. This measure is determined by assessing a company's material exposure and its management of carbon issues. The Carbon Risk Rating is a score from 0 (least risky) to 100 (extremely risky): 0 is a negligible level of risk, 0-10 is a low level of risk, 10-30 is a medium level of risk, 30-50 is a high level of risk, and 50 and above is a severe level of risk.

RepRisk Index (RRI): The RRI is a proprietary algorithm developed by RepRisk that dynamically captures and quantifies reputational risk exposure related to ESG issues. The RRI is not a measure of reputation, but is rather an indicator of ESG-related reputational risk of a company or other entity. It allows the comparison of a company's exposure with that of its peers and helps track the risk trend over time. In essence, the RRI facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a particular company. The RRI ranges from zero (lowest) to 100 (highest): 0-24 means low risk exposure, 25-49 means medium risk exposure, 50-59 means high risk exposure, 60-74 means very high risk exposure, and 75-100 means extremely high risk exposure.

RRI E, RRI S: derived from RRI. They respectively quantify reputational risk of a company regarding environmental issues and social issues. They are also ranking from zero (lowest) to 100 (highest).

Peak RRI: derived from RRI, it is the maximum value, between 0-100, reached by the RRI over the past two years.

The investment team monitors these indicators daily for all stocks in the portfolio. Moreover, several monitoring tools have been put in place to implement the ESG policy. These tools have been integrated into the daily pre-trade risk control and are applied to all investments in the portfolios.



Methodologies

ESG Risk Rating, provided by Sustainalytics, quantifies a company's exposure to ESG risk and how well the company manages that risk. ESG Risk Rating is a score from 0 (less risky) to 100 (extremely risky): 0-10 is a negligible level of risk, 10-20 is a low level of risk, 20-30 is a medium level of risk, 30-40 is a high level of risk, and 40 and above is a serious level of risk.

Carbon Risk Rating, provided by Sustainalytics, assesses a company's carbon risk based on the transition to a low-carbon economy. This measure is determined by assessing a company's material exposure and its management of carbon issues. The Carbon Risk Rating is a score from 0 (least risky) to 100 (extremely risky): 0 is a negligible level of risk, 0-10 is a low level of risk, 10-30 is a medium level of risk, 30-50 is a high level of risk, and 50 and above is a severe level of risk.

Sustainalytics also provides the module Global Standards Screening (GSS) that identifies companies that are violating or are at risk of violating international norms as enshrined in the UN Global Compact Principles.

The RRI (RepRisk Index) is a proprietary algorithm developed by RepRisk that dynamically captures and quantifies reputational risk exposure related to ESG issues. The RRI is not a measure of reputation, but is rather an indicator of ESG-related reputational risk of a company or other entity. It allows the comparison of a company's exposure with that of its peers and helps track the risk trend over time. In essence, the RRI facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a particular company.

The RRI ranges from zero (lowest) to 100 (highest): 0-24 means low risk exposure, 25-49 means medium risk exposure, 50-59 means high risk exposure, 60-74 means very high risk exposure, and 75-100 means extremely high risk exposure.

We use the RRI and several metrics derived from it:

- (Current) RRI: current level of RRI
- Peak RRI: highest level of the RRI over the last two years – a proxy for overall ESG-related reputational risk exposure.
- RRI Trend: change of the RRI within the past 30 days
- E, S and G contribution to RRI: The RRI is a sum of an environmental, a social, and a governance component.

RepRisk also provides the UNGC Violator Flag, which signals when a company doesn't respect the UN Global Compact principles.



Data sources and processing

Sustainalytics

Sustainalytics is one of our main ESG data provider for the Digital Stars Eurozone fund. This allows us to assess ESG and carbon positioning of the companies in our investment universe and to screen out the worst of them. Sustainalytics provides ESG Risk Ratings which measure the importance of certain ESG issues to a company and what the company is or is not doing to effectively manage them. There is also a Carbon Risk Rating, which assesses a company's carbon risk based on the transition to a low-carbon economy. This measure is determined by assessing a company's material exposure and management of carbon issues. We also use 'product involvement' module which details the involvement of companies in controversial sectors (tobacco, coal, war material, nuclear energy, adult entertainment (pornography), alcohol, gambling, GMOs, pesticides, fossil fuels...).

RepRisk

RepRisk is another of our main ESG data provider. It offers a solution which enable to monitor controversies.

Business conduct risks related to human rights, labor, the environment, and corruption can translate into reputational, compliance, and financial risks for a company. How a company manages such issues is recognized as a long-term value driver and is directly linked to their operational excellence and social license to operate. RepRisk helps us reducing blind spots and shed light on the ESG and business conduct risks related to our investments.

Norges Bank Exclusion list

We also follow the exclusion recommendations from Norges Bank. We exclude the companies appearing on this list. Norges Bank recommends not to be invested in companies that contribute to violations of fundamental ethical norms, manufacture certain types of weapon, base their operations on coal, or produce tobacco.

FactSet

In FactSet we use mainly the GICS classification system (managed by MSCI and S&P) and FactSet RBICS (Revenue breakdown). They allow us to assess the involvement of companies in the production of tobacco, coal, war material, nuclear energy, adult entertainment (pornography) and gambling (casinos, lotteries).

Global Coal Exit List (GCEL)

Global Coal Exit List (GCEL) The GCEL database (<https://coalexit.org/>) is monitored to exclude coal-related companies.



Limitations to methodologies and data

Norges Bank exclusion list and Global Coal exit list can vary from one day to another, we cannot guarantee that our exclusion filters are based on the last one.

A stock could be not covered by RepRisk, in this case the management company considers the RepRisk index as being 0 and ask RepRisk to start the coverage of the stock.

There can be a delay of few days between when a controversy happened and when it is considered by RepRisk.

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) and engage in dialogue with the company to find out why it is not covered.



Due diligence

ESG Risk Rating, Carbon Risk Rating, RepRisk controversies, sector and norm based filters are part of our systematic investment process. To be integrated in the fund, a stock should pass these filters.

In addition, at the end of investment process stocks are evaluated on the basis of an ESG indicator, which combines Sustainalytics' ESG Risk Rating and RepRisk's ESG Reputational Risk indicator. 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.

The Risk management team also controls on a daily basis, pre trade and post trade that every stocks in the portfolio respects the criterias defined by the ESG policy.



Policy of engagement

Not applicable