Environmental and/or social characteristics

Digital Funds - Digital Stars Eurozone

LEI : 529900G224IN5MYEFU82

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

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 ___% 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*

What environmental and/or social characteristics are promoted by this 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”).

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

ESG Risk Rating: 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: 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 also rank 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.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives ?

Not applicable

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective ?

Not applicable

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anticorruption and antibribery matters.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights ?

Not applicable as the fund will not make sustainable investments. But the fund excludes 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.

Beside, from the 28 issues monitored by Reprisk, 7 are related to corporate governance issues and 10 are related to social issues. We can list among other: anti-competitive practices, corruption, bribery, money laundering, executives compensations, fraud, child labor, Human right abuses, impacts on communities, occupational health and safety, social discrimination.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

✖ Yes

In Sustainalytics' ESG Risk Rating calculation method, 29 different ESG issues can be taken into account depending on a company's sector and/or activity. The issues taken into account are for example human capital, business ethics, human rights, land use & biodiversity, emissions, effluents & waste, product governance, carbon.

In the Carbon Risk Ratings, a company's management of and exposure to carbon is broken out into three separate Material Carbon Issues: Carbon – Own Operations, Carbon – Products and Services, and Carbon Finance. The carbon risk rating is composed of PAI in link with the carbon: GHG emissions, scope 1 emissions, scope 2 emissions, carbon intensity, fossil fuel involvement range.

RepRisk's core research scope is composed of 28 ESG issues that are broad, comprehensive and mutually exclusive. These 28 issues drive the entire research process, and every risk incident in RepRisk's ESG risk platform is related to at least one of these issues. RepRisk covers issues such as climate change, greenhouse gas emissions, global pollution, impacts on landscapes, ecosystems and biodiversity, local pollution and waste.
In addition, RepRisk covers 73 so-called "Topic Tags", which are "hot topics" and ESG themes that are an extension of RepRisk's main research scope of 28 ESG issues. These tags are specific and thematic, and a tag can be linked to several mandatory principal adverse impacts (PAI). Some of these tags are energy management, agriculture commodity speculation, forest burning, high conservation value forests, abusive/illegal fishing, air pollution, sand mining and dredging, wastewater management, gender inequality, nuclear weapons.

Therefore, the principal adverse impacts are taken into account qualitatively through aggregate scores provided by Sustainalytics and RepRisk based on the issues and topic tags mentioned above.

☐ No

What investment strategy does this financial product follow?

The **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

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.

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

The Fund applies 2 kind of exclusion policy: Norm based exclusions and sector exclusion.

- Norm-based exclusions

The Fund excludes companies:

- that manufacture or distribute anti-personnel mines according to the Ottawa Treaty (entered into force in 1999)
- that manufacture or distribute cluster munitions accordance with the Convention on Cluster Munitions (entered into force in 2010).
- 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.
- domiciled in controversial "Call to Action" jurisdictions (e.g. Iran and North Korea) identified by the Financial Action Task Force.

- Sectors exclusions

The funds excludes certain sectors and practices and does not invest in companies facing one of the following cases:

o 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 exceed 5% of the turnover
  - adult entertainment (pornography) represents more than 5% of turnover

- Exclusions based on environmental, social and governance criteria
  - ESG Risk Ratings above 30 ('High' and 'Severe') are excluded
  - Carbon Risk Ratings above 30 ('High' or 'Severe') are excluded
  - The fund also excludes companies with a high level of ESG controversy using RepRisk database.

- Selection based on environmental, social and governance criteria
  - 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.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The total of the exclusions made on the basis of ESG criteria, norm-based exclusions and sector exclusions represent at least 20% of the investment universe.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

What is the policy to assess good governance practices of the investee companies?

Chahine Capital has set up an SRI voting policy with ISS as a partner. We aim to vote at all shareholders' meetings of the companies held in the Digital Funds (except if vote is not possible for external reasons) and apply by default the SRI voting recommendations provided by ISS research.

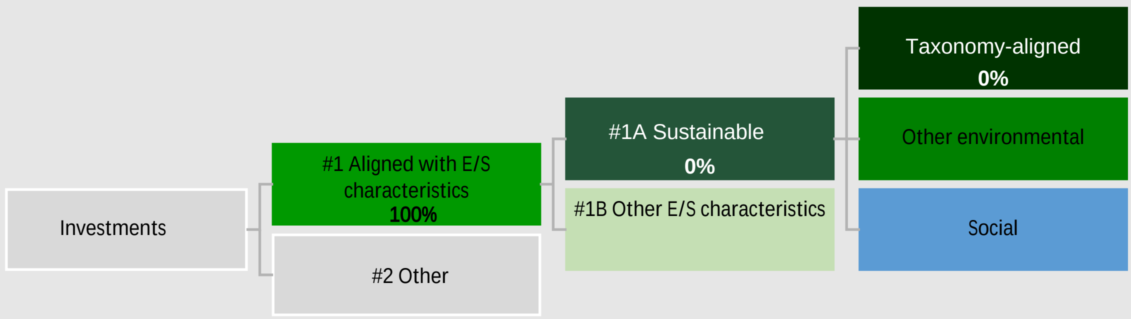
We exclude companies with a high level of Governance controversies, using the RepRisk Index Governance that quantifies reputational risk of a company regarding governance issues.

Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

#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%

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#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.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The fund may use derivative financial instruments for liquidity and limited exposure purposes and not to achieve the promoted environmental or social characteristics.

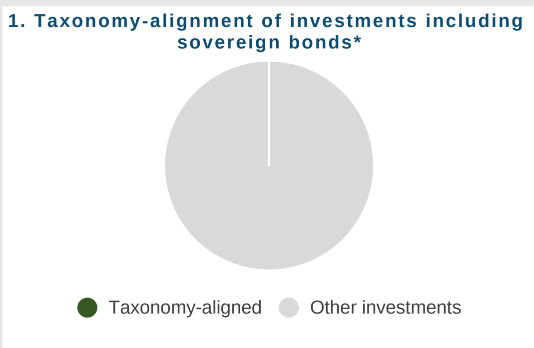
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

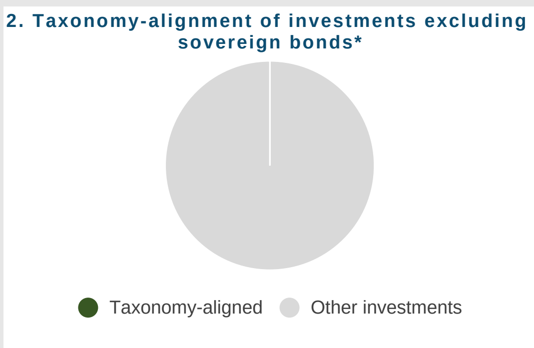
Not applicable.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*





** For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures*

- *What is the minimum share in transitional and enabling activities?*

Not applicable.
Indeed, the funds does not commit to a minimum share of investments aligned with the EU Taxonomy.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

There is no minimum but Environmental issues are considered in the ESG Risk Rating (Sustainalytics), Carbon Risk Rating (Sustainalytics) and the RepRisk index.

What is the minimum share of socially sustainable investments?

There is no minimum but Social issues are considered in the ESG Risk Rating (Sustainalytics) and the RepRisk index.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The fund applies rigorously its ESG filters and exclusions criteria to all its underlying investments. Thus, there is no investments under "#2 Other" category.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product ?*

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

- *How does the designated index differ from a relevant broad market index?*

- *Where can the methodology used for the calculation of the designated index be found?*

Where can I find more product specific information online ?

More product-specific information can be found on the website:
https://chahinecapital.com/en/responsible-investment
https://chahinecapital.com/en/fund/digital-stars-eurozone