DRAKAI CAPITAL

CONFIDENTIAL

SUSTAINABILITY POLICY **September 2024**

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Purpose: The purpose of this policy is to describe the governance and the investment constraints related to the sustainability objectives of the investments made by Drakai

Recipients: All the staff of Drakai Capital and investors.

1. Governance

The main governance body of Drakai Capital (DC) concerning its sustainability policy is the Environmental, Social and Governance (ESG) Committee. The purpose of this committee is to:

- Define and amend the sustainability policy of DC,
- Review the breach to this policy (see §5) noted during the month, understand their root causes and take the appropriate actions to avoid any new breach,
- Review the issuers having the worst controversial rating to understand the rationale for this rating and define DC's approach (keep the assets in book or sell them) for each one when there is an existing exposure.

This committee is monthly. It is chaired by the Chief Compliance Officer (CCO). In addition to the CCO, the participants are the Chief Investment Officer (CIO) and the Chief Risk Officer (CRO). If relevant, the CCO may also invite the Chief Technology Officer (CTO) and the Quant Researcher.

This committee is a sub-committee of the Compliance and Internal Control Committee that reports to the Risk Committee. In the risk and control map of DC, the sustainability risk is analysed as such to facilitate its monitoring.

A breach to this policy is either remediated during the day by the CIO based on the instructions of the CRO or discussed in a dedicated Investment Committee. The role of this committee is to ensure the adherence with the investment policy of DC, both in terms of investment universe and investment limits, and to validate the actions to be taken in case of non-adherence to the policy and to the limits. It covers all restrictions, not only the ESG-related restrictions. This committee can be held every day if relevant. It is chaired by the CRO. The other participants are the CIO and the CCO.

2. Overview of DC's sustainability policy

2.1 General principles

The only fund managed by DC, Drakai Systematic Credit Fund, is classified as article 8 as per the Sustainable Finance Disclosure Regulation (SFDR). The Fund promotes environmental and social characteristics but does not have as its objective sustainable investment. As the Fund does not have sustainable investment as an objective, DC does not consider the Principal Adverse Impacts (PAIs) of its investments.

DC is a signatory of the United Nations Principles for Responsible Investment (UNPRI). The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General. The UNPRI are:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Finally, DC believes that every single step matters in the fight against climate change. DC aims to balance its carbon footprint through various climate action projects. DC plants a tree for every trade and every investor subscription. In total, since 2021, Drakai Capital has financed the planting of 1419 trees in forests located in Vendée, Normandy, Burgundy, and the Massif Central, representing a total of 187 tons of stored CO_2.

2.2 Investments' restrictions

The Fund commits to apply the ESG constraints described above for at least 51% of its investments. Moreover, the Fund invests at least 51% of its liquidity assets into money market funds classified as article 8 or article 9 as per SFDR.

The remaining percentage of the Fund's assets are investments which seek to achieve the objective of the Fund, including instruments for the purposes of efficient portfolio management, hedging and liquidity management purposes, or investments for which ESG data is not available.

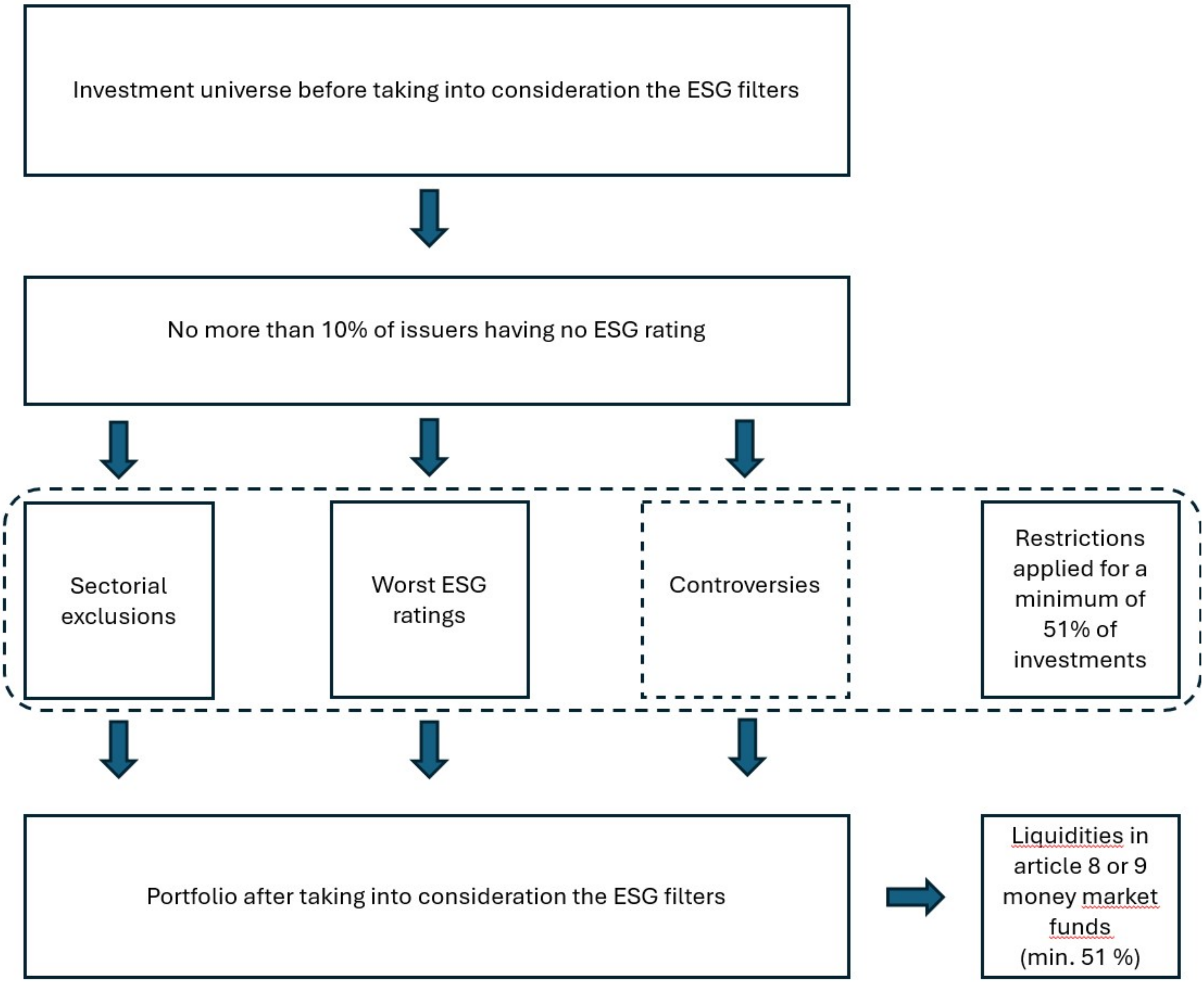
DC has no engagement policy as all its investments in equities are swapped by its Prime Broker, therefore its fund under management is never the shareholder of a corporate.

For the 51% of investments for which the ESG constraints are applied, DC's approach is a mix of "best-in-class" and "best-in-universe". DC uses four filters to modify its original investment universe and remove some issuers based on:

- Their inclusion in the panel of issuers to which a rating is assigned,
- Their economic sector,
- Their ESG rating,
- The controversies related to the issuers if any.

DC uses Bloomberg as data provider for the ESG ratings and economic sectors of issuers and Sustainalytics for the controversies.

The different steps of the filters applied by DC on its investment universe can be summarized in the chart below and are then described in § 3 and 4. The investment universe of DC before taking into consideration the ESG filters are highly liquid issuers quoted in the North American and European markets for both equity and credit securities.



3. Exclusions

The first filter applied by DC is based on the inclusion of the issuers in the panel to which an ESG rating is assigned by Bloomberg. The proportion of issuers in the investment universe with no ESG rating must not exceed 10%. This constraint is calculated every day by the proprietary pre-trade interface of DC and checked by the CIO and the CRO. If this proportion exceeds 10%, it is considered as a breach (see § 5).

The second filter applied by DC is based on economic sectors. DC does not invest in five economic sectors for which Bloomberg identified issuers are active (oil and gas, coal, palm oil, controversial weapons and tobacco). An issuer is removed as soon as it is involved in this sector, even for a minor proportion of its activity.

The third filter applied by DC is based on the ESG ratings of issuers. DC does not invest in the issuers with the worst 20% ESG ratings of its investment universe. As for the first filter, this constraint is calculated every day by the proprietary pre-trade interface of DC and checked by the CIO and the CRO. If there is an investment in the issuers having the worst 20% ESG ratings, it is considered as a breach (see § 5).

4. Controversial issuers

The controversies related to issuers do not support an exclusion filter as for the three previous ones. For controversies, DC adopts a more qualitative approach rather than a simple threshold. DC screens every day the ESG controversies scores provided by Sustainalytics. The worst scores (corresponding to a score of 5 as per the current Sustainalytics methodology) are reviewed during a monthly committee to understand the controverse and approve the appropriate measures for each security (i.e. disinvest the security or not depending on the nature of the controverse).

5. Management of breach

As for all investment restrictions, any breach generates an alert that must be analysed in first instance by the Chief Risk Officer (CRO) that gives instructions to the Chief Investment Officer (CIO) to remediate the breach. If necessary, the breach and the subsequent measures are discussed during an ad hoc Investment Committee (see §1).

DC shall dispose of any security that generates the breach as soon as reasonably practicable having regard to the best interests of the fund and its shareholders.

6. Remuneration of staff

As required by regulation, the remuneration policy of DC takes into account the sustainability in the criteria that determine the variable pay of staff. The way in which sustainability policy is taken into account in variable remuneration mainly consists of considering compliance with investment restrictions and training obligations.

7. Training

To ensure that this policy will be correctly implemented, the key staff concerned by this policy must obtain the "AMF – Finance Durable" certification within a year after they join DC or after the move to a position for which this certification is relevant.

Revision History

Date	Author	Reviewer	Version	Change Description
September 2024	Laurent de Monneron	Samer Comair	1.0	Initial Document