

RESPONSIBLE INVESTMENT POLICY

March 2020

At Varenne Capital Partners, we are convinced that responsibility is critical for a harmonious long-term development of the company, of our clients, of our employees and more broadly of the society. This document presents what Responsible Investment actions we have put in place in full consistency and faithfulness with our investment philosophy and beliefs, how they are implemented and monitored.

1. ABOUT VARENNE CAPITAL PARTNERS

Varenne Capital Partners is a process-driven, global investment manager whose purpose is to deliver superior long-term returns with the minimum necessary risk-taking. We strive to achieve this goal by combining complementary investment frameworks – Long Equity, Short Equity, Merger Arbitrage and Tail Risk Hedging – in a single strategy.

The firm adopts a ‘brokers are not welcome’ policy and relies exclusively on internal origination and proprietary research. Frameworks are the result of years of research and development and comprise original methodologies, formalized processes, dedicated teams of analysts and bespoke information systems. Research is employed as a foundation for managing both AIF and UCITS strategies through several investment vehicles.

Varenne Capital Partners is based in Paris, France, where it was founded by its current management team in 2003. It operated as an advisor to VEGA Finance – private banking unit of the CDC/CE Group – before establishing itself as an independent investment manager in 2006.

Varenne Capital Partners is registered in France with the Autorité des Marchés Financiers (AMF) under number: GP-06 000004.

2. RESPONSIBILITY AT VARENNE CAPITAL PARTNERS

At Varenne Capital Partners we consider that Responsibility starts with the way we conduct our own business and how we behave with our stakeholders: clients, employees, suppliers, regulators, communities. In this chapter we present the measures we have put in place to act as a Responsible company.

2.1 Environmental considerations at Varenne Capital Partners

Our recent office move (2018) enabled us to put in place the latest office energy and resources saving features: motion detectors for lights, tap timer, latest generation energy saving screens.

Our company cars are all electric or hybrid.

We have a full recycle policy: paper, ink cartridges, disposable at our employee’s cafeteria.

2.2 Social considerations at Varenne Capital Partners

At Varenne Capital Partners, we strongly believe that fair alignment between employers and employee's interests are pivotal to long term responsible development. This is why we have put in place several measures to create such an environment.

All key employees participate in a profit-sharing plan thereby creating a partnership spirit where everyone benefits from the success of the company. Additionally, the senior members of our team have access to a shareholder plan.

We accommodate flexible working conditions allowing for part time working or working from home solutions.

We pay particular attention to a harmonious work-life balance and adapt our resources accordingly. We create a healthy work environment notably with a cafeteria in which we provide open access to fresh fruits and a sport room available to employees.

All aspects of health, safety and proper behaviour in the workplace are documented in the company's Internal Regulation which is handed out to every employee joining the firm and available for consultation in the company premises.

2.3 Equal opportunity and Diversity

Equal Opportunity is central to our culture. We view it as a driver of our values of Excellence and Entrepreneurship: at Varenne, individuals are evaluated based on their professional skills and achievements only and are hired, managed, compensated and promoted independently from gender, nationality or culture background.

We are very proud that 8 nationalities are represented in our teams.

Our offices are equipped to allow access to handicap people.

We have a zero pay gap policy, meaning our employees at the same level of responsibility and seniority within the role are equally compensated, regardless of any gender, nationality or culture considerations.

2.4 Corporate Governance at Varenne Capital Partners

There are several organisational measures we have put in place for the responsible long-term conduct of our business:

- Varenne Capital Partners has a Supervisory Board whose majority of members, including its Chairman, are independent from the Executive team of the company. The Supervisory Board has unrestricted inquiry and audit power.
- We have a dedicated Compliance function, reporting directly to the Managing Director of the company.
- We have a dedicated Risk Management function, reporting directly to the Managing Director of the company.

- Auditors of the company and of the funds it manages are selected following a documented procedure and reviewed on a yearly basis.

We strive to maintain an open, ongoing dialogue with our global supervisory. Our senior leaders commit a significant amount of their time to meeting with our regulators providing opportunities for us to hear about their priorities and to keep them informed about developments in our businesses. In addition, our businesses and control functions engage with regulators — for example, through exams and continuous monitoring, regular meetings and ad hoc requests.

Compliance with the laws and regulations governing anti-money laundering (AML) and terrorist financing, economic sanctions and anti-corruption efforts is an important focus of our control agenda. We are firmly committed to participating in international efforts to combat money laundering and the funding of terrorist activities. Such controls are part of our dedicated Compliance officer duties and he reports both to the management team and to the Supervisory Board on these matters.

3. INVESTING RESPONSIBLY WITH VARENNE CAPITAL PARTNERS

3.1 Investment Philosophy

Varenne's investment philosophy is built on our commitment to 100% proprietary research. We follow a strict 'brokers are not welcome' policy and never make use of sell-side research. We strive to solve equations differently and add value by developing complementary investment frameworks combined in a single strategy with the goals of optimizing risk-reward profiles and employing efficiently the balance sheets of the investment vehicles that we manage.

Currently we operate several investment frameworks within the Long Equity, Short Equity, Merger Arbitrage and Tail Risk Hedging space. Each one stems from years of research and development and comprises original methodologies and formalized processes. They are all individually run by dedicated teams of analysts and benefit from bespoke information systems. Each book is independent, and exposures are determined by rule-based portfolio construction models comparing investment merit metrics. The aim is to maximize long-term returns, reduce correlation to indexes and adapt portfolio compositions to changing market and macroeconomic conditions. Idea generation is also specific to each framework and originates internally from proprietary fundamental and behavioural databases to which purpose-built screening and scoring systems are applied.

Unlike 'pure player' funds, our approach allows investment teams to focus exclusively on the most favourable opportunities and relieves them of the obligation to deploy capital when they do not find ideas that meet or exceed our risk-reward criteria – we are happy to stay on the sidelines when we believe that to be the most sensible investment decision to make.

3.2 ESG in the selection of companies we invest in

The above described Long Equity investment framework is made up of two components:

- Enterprise Picking which is a concentrated selection of high conviction stocks.
- A basket (BQL) which is a diversified selection of stocks which improve the portfolio risk / return characteristics either by providing exposure to specific themes or by strengthening its diversification characteristics.

Our ESG analysis is applied to all stocks of the Enterprise Picking component, in all funds and mandates we manage. The Enterprise Picking component is the backbone of all of our portfolios, meaning a very high percentage of assets of all portfolios managed by Varenne Capital Partners are subject to ESG analysis.

We believe that Environmental, Social and Governance factors are risk elements which, if not managed properly by companies, can alter their financial profile and quality. This is intrinsically linked to the business, strategy and financial characteristics of the company. Therefore, ESG analysis is part of the responsibility of the analyst who analyses a company. We voluntarily do not have a separate ESG analysis team. This would be in complete contradiction with our conviction about the strong relationship between proper ESG behaviour and long-term financial solidity.

3.2.1 Exclusion

Systematic exclusion

Varenne Capital Partners does not invest in companies active in the sectors of controversial weapons, pornography, tobacco, mining or which violate international treaties. "Active" being defined as having more than 15% of the company's turnover related to such kind of activities. Companies conducting activities in these sectors are eliminated at the very beginning of our investment process and research is not pursued.

Sectors and activities requiring enhanced review

In addition to the above-mentioned sectors, which are systematically excluded, companies active in some sectors will be subject to a tailored analysis to ensure a comprehensive understanding of their business and the related ESG risks. These are: Energy, Chemicals, Metals & Mining, Aerospace & Defence, Transportation Infrastructure, Utilities. For those companies active in these sectors, it is expected that the analyst performs in-depth ESG risk analysis and present it at the investment committee when the stock is put forward for investment.

3.2.2 Environmental, Social and Governance factors integration

Environmental, Social and Governance factors are systematically analyzed for all companies candidates for the Enterprise Picking framework. The result of the analysis is summarized in an "ESG checklist" which comprises more than 30 factors (15 for Environment, 15 for Social, 6 for Corporate Governance). Each factor is assigned a rating from 1 (poor) to 5 (excellent). If the average of these ratings is below 3 then the company is eliminated. If it is above 3 then the company is considered for investment. The ESG checklist template can be made available to potential investors during their due diligence process.

The ESG checklist is presented by the analyst together with the Investment and Financial checklist to the Investment Committee for final investment decision.

The ESG checklist is reviewed on a yearly basis. Change in final rating can trigger a sell decision.

Our Dealing of Insiders module, which we use as an investment ideas sourcing tool, also enables to identify potential Governance issues. Through a wide analysis, Varenne is able to screen, qualify and monitor companies with insiders that have an unusual behaviours and/or misleading conducts. Companies with managers or board members who act in an abnormal way can highlight potential problems. For instance, if our analysis shows a high management turnover or insiders who sell an important amount of their shares (could show a low commitment level), that could lead us to exclude those kinds of companies from our investable universe.

3.2.3 ESG in the Merger and Arbitrage framework

Varenne Capital Partners does not consider any hostile operations for its Merger and Arbitrage framework.

3.3 Active ownership

Varenne Capital Partners uses the services of International Shareholder Services Inc. (ISS) to cast its votes. A fundamental component of a decision of Varenne Capital Partners to invest in a company on behalf of its clients is a solid trust in the management of this company and its ability to create long term shareholder value in a **responsible** way. It is therefore rare that we vote against the management. Our ESG impact comes from the fact we don't finance companies where we believe some ESG factors might be overlooked, and we support companies and their management which we believe act responsibly.

Shareholders resolution votes are reviewed and assessed individually.

Varenne Capital Partners has a voting procedure (available on its Web site) which, in particular, provides voting guidelines on the following themes: modification of status of the company, accounts approval and assignment of results, social bodies, capital structure change, auditor appointment.

Votes are reviewed and approved by Giuseppe Perrone, Chaiman of Varenne Capital Partners and of the Investment Committee.

4. ADHERENCE TO CODES AND GUIDELINES, GOVERNANCE AND PROCEDURES

4.1 Codes and Guidelines

Varenne Capital Partners takes its contribution to the investment community and to the wider society very seriously. We are a member of numerous practitioners' bodies, thereby contributing to the debates and researches for the continuing development of a sustainable and transparent asset management industry.

As a willingness to support the investment community global effort to strengthen Responsible Investment, Varenne Capital Partners has signed the Principles for Responsible Investment.

As an alternative manager we have made the decision to become a member of AIMA, the Alternative Investment Management Association, in particular benefiting from its views on Responsible Investment and the Responsible Investment Primer published in May 2019.

Varenne Capital Partners is a member of the AFG, Association Française de Gestion and is therefore regularly updated on and contribute to numerous industry matters, including Responsible Investment, in one of the leading countries in this field, France.

4.2 Governance

This Policy and its application are under the direct supervision of the Management of Varenne Capital Partners, namely, Giuseppe Perrone, Chairman of the Company and Chairman of the Investment Committee, and David Mellul, Managing Director and member of the Investment Committee.

Evolution of the Responsible Investment Policy and its application are part of the regular quarterly report submitted to the Supervisory Board of Varenne Capital Partners.

Finally, our Chief Compliance Officer, Nicolas Touzé, monitors the enforcement of this Responsible Investment policy as part of his regular company compliance management and monitoring duties.

VARENNE CAPITAL PARTNERS

French joint stock company – Registered with the Trade and Companies Register of Paris under number B 445 000 136

42, avenue Montaigne – 75008 PARIS – Tel : +33 (0)1 70 38 81 22

mail : contact@varennecapital.com / www.varennecapital.fr