

GREEN BLUE FUNDS SCA SICAV-RAIF

Good Governance Fund

(the “financial product”)

Sustainability-related disclosures

DISCLAIMER

Any reference to “We” throughout this document shall be construed as a reference to the person(s) in charge of portfolio management.

1. Summary

The objective of this financial product is to outperform its benchmark S&P 500 Total Return Index over a full business-cycle. To achieve its objective the fund systematically selects the 100 companies that have demonstrated the strongest governance characteristics within the S&P 500 universe, excluding tobacco, defense, and oil companies.

Investment thesis of our strategy is that companies with a high degree of Stewardship address better E, S, and G. We look at Stewardship at the board and management levels. We measure Stewardship by studying the language used by companies within the S&P500.

More precisely, we measure with a proprietary systematic model the occurrence of positive and negative words in the annual reports of companies (10k). These words are environmental (e.g.: carbon, climate, ecological), social (e.g.: children, safety, wellbeing) and governance (e.g.: collegiality, cooperation, future).

We produce a rating in five quintiles of 20% (A, B, C, D, and E) for the S&P500 universe and invest only in companies with an A rating, namely 100 companies.

In terms of allocation, 95% of the exposure will be allocated to the promotion of environmental and social characteristics.

Other investments, not promoting E/S characteristics, may represent up to 5% of the portfolio.

In order to ensure our portfolio reflects our E, S, and G commitment we mandate Impact Cubed, an independent ESG sustainability data and portfolio analytics company to review independently our portfolio.

2. No sustainable investment objective

This financial product promotes environmental and social characteristics, but does not have as its objective sustainable investment.

We select companies that have a high quality of Stewardship, that is reflected into a high quality of E and S as measured in our researches and independent reviews (Impact Cubed). This has the objective to be at the origin of a good integrated E, S, G rating.

On the other hand, with the measures provided independently by Impact Cubed we conduct an analysis of the correlation of our ratings with the 14 impact indicators measures of Impact Cubed (Carbon efficiency, Waste efficiency, Water efficiency, Gender equality, Executive pay, Board independence, Environmental good, Social good, Avoiding environmental harm, Avoiding social harm, Economic development, Avoiding water scarcity, Employment, Tax gap) and also the SDG ratings correlation conducted by Impact Cubed.

3. Environmental or social characteristics of the financial product

This financial product aims to capture the commitment of a company to E and S by systematically analysing its communication as source of its overall commitment driven by the board and the management.

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More precisely, we measure with a proprietary systematic model the occurrence of positive and negative words in the annual reports of companies (10k). These words are environmental (e.g.: carbon, climate, ecological), social (e.g.: children, safety, wellbeing) and governance (e.g.: collegiality, cooperation, future).

Our dictionary is composed today of 8000 words. In our analysis and academic researches, we have been able to demonstrate that there is a high correlation between a high quality of G, a high level of E and a high level of S at the company level. Also, we have demonstrated that the causality is that a high quality of G influences strongly the quality of E and S. In this context, we measure not only E, S, and G but also the interdependencies between E, S and G and how strong the G influence can be positive in this context.

We produce a rating in five quintiles of 20% (A, B, C, D, and E) for the S&P500 universe and invest only in companies with an A rating, namely 100 companies. In order to re-enforce our commitment to E and S, we exclude from our portfolio companies from three sectors of controversy: oil & gas, weapons, and tobacco.

In addition, in our academic researches, we check how our ratings correlate with the E and S ratings of two of the major ESG rating companies (RobecoSAM and Sustainalytics) to ensure that our core thesis (a good stewardship/governance is at the origin of a superior E and a superior S). This is verified and documented in our academic publications. The annual rebalancing approach in our model allows this detailed analysis and its stability overtime.

4. Investment strategy

The objective of this financial product is to outperform its benchmark S&P 500 Total Return Index over a full business-cycle. To achieve its objective the fund systematically selects the 100 companies that have demonstrated the strongest governance characteristics within the S&P 500 universe, excluding tobacco, defense, and oil companies.

The investment process has 7 major steps:

- a) Collection of the annual reports (10-k) and their updates for approximately 500 companies.
- b) Systematic screening of each report filtering for approximately 8000 words.
- c) Quantitative analysis of the results through the proprietary model.
- d) Establishment of the stewardship score for each company.
- e) Selection of the 100 companies of the S&P500 that have the highest stewardship scores, excluding tobacco, defense and oil stocks.
- f) Construction of a cap-weighted portfolio in April each year with concentration limits of: the sum of every position higher than 5% will not exceed 32%; the largest allocation to a single stock will not exceed 8%; the top-10 stocks do not exceed 55%.
- g) Rebalancing the weights on a quarterly basis.

5. Proportion of investments

The product is invested in the 100 companies of the S&P 500 that exhibit the best scores according to our model. In other words, we invest in the first quintile of the S&P500 companies in terms of their quality of Governance.

The objective is to provide our investors with a sustainability premium extracted from an allocation to the top-20% companies of the index. The construction rule is the same as the one of the index in order to achieve a maximum correlation to the index, while extracting the sustainability premia.

95% of the exposure will be allocated to the promotion of environmental and social characteristics.

Other investments, not promoting E/S characteristics, may represent up to 5% of the portfolio.

6. Monitoring of environmental or social characteristics

As the annual reports of companies are published once a year, we construct our portfolio the last Thursday of the month of April every year and monitor the weightings during the year.

In order to ensure our portfolio reflects our E, S, and G commitment we mandate Impact Cubed (<https://www.impact-cubed.com>), an independent ESG sustainability data and portfolio analytics company to review independently our portfolio. Impact Cubed provides for our fund an ESG rating (top-quartile for our fund every year since we launched the fund) as well as a measure for each SDG. This allows us to ensure our methodology reflects the ESG values we aim to extract with our Stewardship approach.

From an SDG perspective, Impact Cubed measures the overall impact of our portfolio based on the following indicators:

- Carbon efficiency generated by the portfolio (Impact on SDGs 7, 15)
- Waste efficiency generated by the portfolio (Impact on SDGs 6, 12, 14, 15)

- Water efficiency generated by the portfolio (Impact on SDG 6)
- Environmental good generated (Impact on most SDGs)
- Social good generated (Impact on most SDGs)
- Investments in industries aggravating environmental issues (Impact on most SDGs)
- Investments in industries aggravating social issues (Impact on most SDGs)

Independently and in addition to the above, MC Square – the AIFM– is using Sustainalytics to conduct an independent review of the portfolio and to ensure an adherence to the ESG commitments.

7. Methodologies

We have developed a proprietary model that measures the quality of the Stewardship of the company. In order to produce our abovementioned ratings, we use a proprietary natural language processing application, where we review the use of 8000 words in the annual report of companies.

The words are linked to the importance for a company of the environment, safety, employees, accountability, purposefulness, long-term focus, care, trustworthiness, harmony, passion, positiveness, identification, innovativeness, proactiveness, and prudence in particular.

The frequency of use of these words are used as indicators in our process to determine the quality of the E, the S and the corporate Stewardship in general. The companies with the best stewardship characteristics are the ones that have shown the strongest commitment to E, S and G.

We produce a rating in five quintiles of 20% (A, B, C, D, and E) for the S&P500 universe and invest only in companies with an A rating, namely 100 companies. The 100 best companies of the S&P 500 according to our model compose our portfolio. In order to re-enforce our commitment to E and S, we exclude from our portfolio companies from three sectors of controversy: oil & gas, weapons, and tobacco.

8. Data sources and processing

We mandate Impact Cubed (<https://www.impact-cubed.com>), an independent ESG sustainability data and portfolio analytics company to review independently our portfolio. Impact Cubed provides for our fund an ESG rating (top-quartile for our fund every year since we launched the fund) as well as a measure for each SDG.

ESG data provided by Sustainalytics is used by the AIFM to independently monitor the ESG characteristics of the portfolio as well as its adverse impacts on sustainability.

9. Limitations to methodologies and data

- a) Any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h)

The methodology systematically measures the quality of Stewardship of companies. The assumption of the methodology is that the language used in 10k reports is a good indication of the quality of the Stewardship at the corporate level. This measure is conducted with a proprietary systematic model and analyses the occurrence of positive and negative words in the annual reports of companies (10k). These words can be environmental (eg: carbon, climate, ecological), social (eg: children, safety, wellbeing) and governance (eg: collegiality, cooperation, future). Our dictionary is composed today of 8000 words.

The source of data is the 10k report published on the website of the Securities and Exchange Commission for each company part of the S&P500 index. This analysis is conducted at the beginning of the month of April each year on the most recent 10k report.

The limitations of the model are the following:

- potential misrepresentation by a (or more) company(ies) of information in its (their) 10k report (s). It would result in a stewardship score not representative of the company's level of stewardship.
 - frequency of information not captured timely by the model. The analysis takes place on an annual basis on most recent 10k reports. 10k reports are published once a year after the end of the fiscal year.
 - no third-party ESG quantitative measure as an input to the model. Only the above-mentioned Stewardship scores are used as an input to the model.
 - time constraints as some 10k reports can be published with a delay and not properly captured in the model
- b) How such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.

The fund systematically selects the 100 companies that have demonstrated the strongest stewardship characteristics within the S&P 500 universe. We believe that the large number of companies composing the portfolio allows to mitigate some of the limitations of the model.

The portfolio is reviewed on an annual basis by Impact Cubed. Impact Cubed offers a suite of ESG impact integrated investment solutions as well as sustainability data and portfolio analytics. We review the score Impact Cubed is producing to monitor the overall E and S measures of the fund.

10. Due diligence

Independently, we conduct two additional reviews to measure E and S impacts in our portfolio:

First, and as part of our academic researches and publications, we check how our proprietary measures correlate with the E and S ratings of two of the major ESG rating companies (Robeco SAM and Sustainalytics) to ensure that our core thesis (a good stewardship/governance is at the origin of a superior E and a superior S) is verified. As a result, in our last review for both Sustainalytics and Robeco SAM our average E and average S marks are significantly higher than the ones of the S&P500 (reference index). To reinforce our results, we also check how the bad rated companies compare and we have the same observation that these latter have E & S ratings inferior to the one of the index.

Second, – based on the Impact cubed report – the ratings of E and S components are analysed. For the last 4 years, the E and S average scores have been superior to the S&P 500 index score. Also, the SDGs reflected in our portfolio and calculated by Impact Cubed have shown that it generates a positive impact.

We conduct an analysis of the correlation of our ratings with the 14 impact indicators measures of Impact Cubed (Carbon efficiency, Waste efficiency, Water efficiency, Gender equality, Executive pay, Board independence, Environmental good, Social good, avoiding environmental harm, Avoiding social harm, Economic development, Avoiding water scarcity, Employment, Tax gap) and also the SDG ratings correlation conducted by Impact Cubed.

Independently and in addition to the above, MC Square – the AIFM– is using Sustainalytics to conduct an independent review of the portfolio to ensure an adherence to the ESG set standards.

11. Engagement policies

There is no engagement policy implemented part of an environmental or social investment strategy.

12. Designated reference benchmark

We use as Benchmark the universe in which we apply the model. The Benchmark is the S&P500. We are carefully monitoring the scores of 14 ESG categories discussed above in our portfolio with an analysis of our scores vs the index provided by Impact Cubed, an independent company active in ESG rating/scoring.