ALGEBRIS UCITS FUNDS PLC
(the "Company")

FIRST ADDENDUM DATED 8 MARCH, 2021
(the "Addendum")

This Addendum forms part of and should be read in the context of and in conjunction with the prospectus for the Company dated 31 December, 2020 (the "Prospectus") and the supplements for the Algebris Financial Equity Fund, the Algebris Financial Credit Fund, the Algebris Financial Income Fund, the Algebris Allocation Fund, the Algebris Core Italy Fund, the Algebris Global Credit Opportunities Fund and the Algebris IG Financial Credit Fund each dated 31 December, 2020 (the "Sub-Funds") (the "Supplements"). All capitalised terms herein contained shall have the same meaning in this Addendum as in the Prospectus unless otherwise indicated. All information contained in the Prospectus and Supplements is deemed to be incorporated herein.

The directors of the Company (the "Directors") whose names appear on page 13 of the Prospectus accept responsibility for the information contained in this Addendum. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus, the Supplements and this Addendum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Nothing in this Addendum shall constitute a representation or warranty that, in preparing this Addendum, any attempt has been made to verify, confirm or update any of the information in the Prospectus or the Supplements at the date hereof. Accordingly, neither the delivery of this Addendum nor the allotment or issue of Shares shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the dates of the documents comprising the Prospectus and the Supplements.

Prospective investors should not construe the contents of this document as legal, investment, tax or other advice. Each prospective investor must rely upon his or her own representatives, including his or her own legal counsel and accountants, as to legal, economic, tax and related aspects of the investment described herein and as to its suitability for such investor.

The Directors wish to make certain amendments to the Prospectus and each of the Supplements as set out below which such changes take effect from the date hereof. Accordingly, in order to effect these changes, the Directors wish to advise Shareholders and prospective investors of the following amendments to the Prospectus and Supplements (where relevant):

1. **The Supplement in respect of the Algebris Allocation Fund shall be amended to include the following new section entitled "*The Sustainable Finance Disclosure Regulation*":**

"The Manager, in consultation with the Investment Manager, has categorised the Fund as meeting the provisions set out in Article 8 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR") for products which promote environmental and/or social characteristics and invest in companies that follow good governance practices, as further described below. The Fund does not have sustainable investment as its investment objective. More information, including the full text of the exclusion policies discussed below, can be found on the website of the Manager and the Investment Manager (http://www.algebris.com/).

The Fund aims to promote environmental and/or social characteristics by achieving a capital allocation that can facilitate and accelerate the transition towards a greener and more sustainable economy for society as a whole, including in particular in connection with:

- *the governance practices of issuers*
- *predatory lending practices*
- *pollution prevention and control*
- *human rights*
- *labour relations*

The Investment Manager is a global investment manager with a historical focus on the financial sector, with over 80% of AUM at firm level invested in this sector across the capital structure. The Investment Manager considers banks to be the 'gatekeepers' of the transition towards a greener and more sustainable economy, due to the key role that the banking and broader financial sector play in providing funding across sectors and economic activities, hence playing a major part in determining how long environmentally and socially harmful activities can survive. The Investment Manager's sector specialization and its focus on global systemically important financial institutions ("G-SIFIs") presents it with an opportunity to contribute to the transition towards a fairer and more sustainable economy through its investments in institutions that themselves contribute to this transition. In order to meet the environmental and/or social characteristics promoted, the Investment Manager applies binding criteria to the selection of underlying assets as part of its investment decision making process. The selection criteria may not be disapplied or overridden by the Investment Manager. These binding criteria are reflected in the following strategies:

- *Exclusion policies – the Fund is subject to at least 4 exclusion policies, comprising of exclusion lists of restricted companies. These are constructed by the ESG team of the Algebris group through internal research combining the data of non-governmental organisations ("NGOs') and product involvement reports from specialised ESG data firm Sustainalytics.*

- *Controversial weapons exclusion policy:*

  Core Exclusion: the Investment Manager will not invest in companies that: (1) the Investment Manager believes to be involved in, and derive any revenue from, the manufacturing of controversial weapons. This encompasses both companies involved in the core weapon system (or components/services of the core weapon system that are tailor-made and essential for the lethal use of the weapon) and companies providing components and/or services for the core weapon system that are either not tailor-made or not essential to the lethal use of the weapon; (2) have a significant ownership in companies described under item (1) above.

- *Financials overlay: the Investment Manager will not knowingly invest in debt or equity issued by the top-5 global investors in nuclear weapons and in the top-5 global investors in cluster weapons. The full text of the Controversial Weapons Exclusion Policy is available on the website of the Investment Manager (http://www.algebris.com/).*

- *Thermal coal exclusion policy:*

  Core Exclusion: the Investment Manager will not invest in companies that: (1) derive 5% or more of their total revenues from the extraction of thermal coal, and/or (2) derive 10% or more of their total revenues from thermal coal power generation, and/or (3) whose coal-fired power generation capacity accounts for over 20% of total capacity and/or (4) have a significant ownership in companies under (1), (2), (3).

  Financials overlay: the Investment Manager will not invest in the top-5 global equity and bond-holders in coal power plant developers, nor in the banks providing the largest share of lending to coal mining.

- *Predatory lending exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from predatory lending activities, and/or (2) have a significant ownership in companies under (1). The Investment Manager considers this policy as particularly relevant for the Fund, given the focus on investment in the financial sector.

- *Tobacco exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from the manufacturing of tobacco products, and/or (2) derive at least 5% of revenues from supply of tobacco-

related products or services, and/or (3) have a significant ownership in companies under (1) or (2).

- *UNGC Screening*

  In addition, the Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the United Nations Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Investment Manager, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Investment Manager also assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external ESG data providers (such as Standard &Poors ("S&P")) in order to satisfy itself that the relevant investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.

The Investment Manager monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through a variety of scores covering various environmental and social factors, from external ESG data providers (such as S&P). The Investment Manager may also use NGO's data on specific topics, in addition to the in-house AI-driven controversy monitoring tool to monitor the impact of potential ESG-related controversies on the investee names.

Assessment of the likely impact of sustainability risks on the return of financial products

Sustainability risks may adversely affect the returns of the Fund. The Investment Manager has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment, and hence the Net Asset Value of the Fund.

The Fund invests primarily in other collective investment schemes. The sustainability risks of such investments include the sustainability risks of the investments made by the collective *investment schemes' investee companies as well as other sustainability risks that relate only to the collective investment schemes investee companies themselves.*

The Fund's investments are exposed to losses resulting from reputational damage a collective investment scheme's investee issuer may face for a variety of reasons, including:

- *environmental, social or governance concerns in relation to the operation of the issuer*
- *compromise of human rights or labour rights*
- *breaches to intellectual property and privacy (GDPR) rights*
- *occupational health and safety*
- *gender, race and/or other non-discrimination standards*
- *other controversies or scandals*

The Fund's investments are also exposed to the risk of losses resulting from reputational damage a collective investment scheme's investee issuer may face in connection with its lending and funding operations in the case of financial institutions, for example in connection with the following sectors:

- *Greenhouse gas (GHG) and air pollutants (like SO_2 and CO_2 emissions)*
- *Mining, oil and gas extraction specific issues (like offshore drilling, Shale Oil and Gas Hydraulic Fracturing), coal extraction, dams and chemicals, including plastics*
- *Controversial Weapons, nuclear weapons proliferation and Defence equipment*
- *Agricultural, forestry and related to pulp & paper and palm oil*
- *Animal testing and animal welfare*
- *Tobacco, alcohol and addictive substances*
- *World Heritage sites and Ramsar wetlands*
- *Water use, resources and pollution*
- *Gambling and predatory lending*

Reputational damage to a collective investment scheme's investee company may lead to a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital.

In the case of investment by the collective investment schemes in financial institutions, the Fund's investments are also exposed to the risk that where investee companies have provided finance to borrowers, sustainability risk events may impact the ability of such borrowers to repay their debt to investee companies.

Integration of sustainability risks into the investment decision-making process

The Investment Manager adopts the following strategies when integrating sustainability risks into the investment decision making process:

<u>Issuer Exclusion lists</u>

The investment decisions of the investee collective investment schemes observe a number of exclusion lists as described below. They are applied at the issuer level and prevent the collective investment scheme from investing in both equity and debt issued by the issuer. They are reviewed on an annual basis and positions on newly excluded issuers are exited within 30 days. The exclusion list suit of the investee collective investment schemes comprises:

> ***Coal-powered energy generation and its funding chain**: coal developers and coal-intensive companies that are deemed non-investable due to their role in coal mining or coal power generation and coal investors and financers that fund such activities.*
>
> ***Controversial weapons manufacturing:** Weapon manufacturers that produce or closely involved in the production of weapon systems, which often include weapons prohibited by international conventions and treaties. The list comprises Anti-personnel Landmines, Cluster Munitions, Chemical and Biological Weapons, Nuclear Weapons and certain Indiscriminate weapons (like Non-Detectable fragments, incendiary and blinding laser weapons) and includes Investors and Financers that fund such activities.*
>
> ***Predatory Lending:** Lenders that derive any revenue from lending activities that are deemed predatory and companies that have significant ownership of such lenders. Predatory practices include payday loans, high-interest instalment loans and rent-to-own schemes.*
>
> ***Tobacco Investment:** Tobacco producers and manufacturers, companies that derive a meaningful portion of their revenue from tobacco-related activities and companies that have significant ownership of either of the two forementioned categories. Tobacco related activities include both products and services.*

The Investment Manager monitors compliance with the social and environmental characteristics outlined above for the purposes of integrating sustainability risk into its investment –decision making process on an ongoing basis through automated controls coded into the Algebris Order Management System ("OMS"). The OMS has fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described above. Breaches are communicated systematically to the relevant teams via automated e-mail notification and they are escalated to relevant boards and committees of the Algebris group as appropriate.

<u>Direct engagement with Lenders/Financers</u>

A list of banks that comprise the core universe of the investee collective investment schemes have been identified. The ESG committee of the Algebris group examines, inter alia, the institution's exposure and policies surrounding coal extraction and consumption and, on a case-by-case basis, where relevant public disclosures fall below industry standard or where exposure is thought to be high, a tailored questionnaire assesses the institution's position on coal and any planned action to reduce its coal-related exposure.

The ESG committee engages directly with the same universe of banks, seeking assurance about their controversial weapons involvement and policies.

Voting Policy

Where the Investment Manager as investment manager of the investee collective investment schemes is given the opportunity to exercise voting rights in relation to the positions held in the relevant collective investment scheme, these are made in the best interests of the investors after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the relevant policy in place commits the Investment Manager to take an active role in the company's decision-making process, with sustainability being a prime consideration.

UNPRI Screening & ESG Scoring

The investee collective investment schemes are subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the UN Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Investment Manager, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Investment Manager as investment manager of the investee collective investment schemes also assesses the governance practices of issuers through a variety of scores covering various aspects of firm-level governance, from external ESG data providers (such as S&P) and an ESG questionnaire completed by the issuer where necessary in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Investment Manager is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee names."

2. **The Supplement in respect of the Algebris Financial Credit Fund shall be amended to include the following new section entitled "*The Sustainable Finance Disclosure Regulation*":**

"The Manager, in consultation with the Investment Manager, has categorised the Fund as meeting the provisions set out in Article 8 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR") for products which promote environmental and/or social characteristics and invest in companies that follow good governance practices, as further described below. The Fund does not have sustainable

investment as its investment objective. More information, including the full text of the exclusion policies discussed below, can be found on the website of the Manager and the Investment Manager (http://www.algebris.com/).

The Fund aims to promote environmental and/or social characteristics by achieving a capital allocation that can facilitate and accelerate the transition towards a greener and more sustainable economy for society as a whole, including in particular in connection with:

- *the governance practices of issuers*
- *predatory lending practices*
- *pollution prevention and control*
- *human rights*
- *labour relations*

The Investment Manager is a global investment manager with a historical focus on the financial sector, with over 80% of AUM at firm level invested in this sector across the capital structure. The Investment Manager considers banks to be the 'gatekeepers' of the transition towards a greener and more sustainable economy, due to the key role that the banking and broader financial sector play in providing funding across sectors and economic activities, hence playing a major part in determining how long environmentally and socially harmful activities can survive. The Investment Manager's sector specialization and its focus on global systemically important financial institutions ("G-SIFIs") presents it with an opportunity to contribute to the transition towards a fairer and more sustainable economy through its investments in institutions that themselves contribute to this transition. In order to meet the environmental and/or social characteristics promoted, the Investment Manager applies binding criteria to the selection of underlying assets as part of its investment decision making process. The selection criteria may not be disapplied or overridden by the Investment Manager. These binding criteria are reflected in the following strategies:

- *Exclusion policies – the Fund is subject to at least 4 exclusion policies, comprising of exclusion lists of restricted companies. These are constructed by the ESG team of the Algebris group through internal research combining the data of non-governmental organisations ("NGOs') and product involvement reports from specialised ESG data firm Sustainalytics.*
    - *Controversial weapons exclusion policy:*

      Core Exclusion: the Investment Manager will not invest in companies that: (1) the Investment Manager believes to be involved in, and derive any revenue from, the manufacturing of controversial weapons. This encompasses both companies involved in the core weapon system (or components/services of the core weapon system that are tailor-made and essential for the lethal use of the weapon) and companies providing components and/or services for the core

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weapon system that are either not tailor-made or not essential to the lethal use of the weapon; (2) have a significant ownership in companies described under item (1) above.

- *Financials overlay: the Investment Manager will not knowingly invest in debt or equity issued by the top-5 global investors in nuclear weapons and in the top-5 global investors in cluster weapons. The full text of the Controversial Weapons Exclusion Policy is available on the website of the Investment Manager (http://www.algebris.com/).*

- *Thermal coal exclusion policy:*

  Core Exclusion: the Investment Manager will not invest in companies that: (1) derive 5% or more of their total revenues from the extraction of thermal coal, and/or (2) derive 10% or more of their total revenues from thermal coal power generation, and/or (3) whose coal-fired power generation capacity accounts for over 20% of total capacity and/or (4) have a significant ownership in companies under (1), (2), (3).

  Financials overlay: the Investment Manager will not invest in the top-5 global equity and bond-holders in coal power plant developers, nor in the banks providing the largest share of lending to coal mining.

- *Predatory lending exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from predatory lending activities, and/or (2) have a significant ownership in companies under (1). The Investment Manager considers this policy as particularly relevant for the Fund, given the focus on investment in the financial sector.

- *Tobacco exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from the manufacturing of tobacco products, and/or (2) derive at least 5% of revenues from supply of tobacco-related products or services, and/or (3) have a significant ownership in companies under (1) or (2).

- *UNGC Screening*

In addition, the Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the United Nations Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Investment Manager, using data collected by *specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.*

The Investment Manager also assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external ESG data providers (such as Standard &Poors ("S&P")) in order to satisfy itself that the relevant investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.

The Investment Manager monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through a variety of scores covering various environmental and social factors, from external ESG data providers (such as S&P). The Investment Manager may also use NGO's data on specific topics, in addition to the in-house AI-driven controversy monitoring tool to monitor the impact of potential ESG-related controversies on the investee names.

***Assessment of the likely impact of sustainability risks on the return of financial products*:**

Sustainability risks may adversely affect the returns of the Fund. The Investment Manager has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment, and hence the Net Asset Value of the Fund.

The Fund invests primarily in securities of financial institutions. The sustainability risks of such investments include the sustainability risks of the investments made by the Fund's investee financial institutions as well as other sustainability risks that relate only to the Fund's investee financial institutions themselves.

The Fund's investments are exposed to losses resulting from reputational damage an investee issuer may face for a variety of reasons, including:

- *environmental, social or governance concerns in relation to the operation of the issuer*
- *compromise of human rights or labour rights*
- *breaches to intellectual property and privacy (GDPR) rights*

- *occupational health and safety*
- *gender, race and/or other non-discrimination standards*
- *other controversies or scandals*

The Fund's investments are also exposed to the risk of losses resulting from reputational damage an investee issuer may face in connection with its lending and funding operations, for example, in connection with the following sectors:

- *Greenhouse gas (GHG) and air pollutants (like SO_2 and CO_2 emissions)*
- *Mining, oil and gas extraction specific issues (like offshore drilling, Shale Oil and Gas Hydraulic Fracturing), coal extraction, dams and chemicals, including plastics*
- *Controversial Weapons, nuclear weapons proliferation and Defence equipment*
- *Agricultural, forestry and related to pulp & paper and palm oil*
- *Animal testing and animal welfare*
- *Tobacco, alcohol and addictive substances*
- *World Heritage sites and Ramsar wetlands*
- *Water use, resources and pollution*
- *Gambling and predatory lending*

Reputational damage to an investee company may lead to a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital.

The Fund's investments are also exposed to the risk that where investee financial institutions have provided finance to borrowers, sustainability risk events may impact the ability of such borrowers to repay their debt to investee financial institutions.

The Fund is also exposed to risks associated with the increased cost and administrative burden due to changes in regulations and policies in the areas of climate, energy, and environment as well as cost from improving governance and oversight, an area of regulatory focus for the financial institutions. More importantly, there is regulatory risk in the form of penalties for failing to comply with such regulations, accompanied by reputational stigma any such violation would bring, an issue particularly acute for high profile and systemic financial organisations.

Integration of sustainability risks into the investment decision-making process

The Investment Manager adopts the following strategies when integrating sustainability risks into the investment decision making process:

<u>*Issuer Exclusion lists*</u>
The investment decisions observe a number of exclusion lists as described below. They are applied at the issuer level and prevent investing in both equity and debt issued by the issuer. They are reviewed on an annual basis and positions on newly excluded issuers are exited within 30 days. The exclusion list suit comprises:

> ***Coal-powered energy generation and its funding chain**: coal developers and coal-intensive companies that are deemed non-investable due to their role in coal mining or coal power generation and coal investors and financers that fund such activities.*
>
> ***Controversial weapons manufacturing:** Weapon manufacturers that produce or closely involved in the production of weapon systems, which often include weapons prohibited by international conventions and treaties. The list comprises Anti-personnel Landmines, Cluster Munitions, Chemical and Biological Weapons, Nuclear Weapons and certain Indiscriminate weapons (like Non-Detectable fragments, incendiary and blinding laser weapons) and includes Investors and Financers that fund such activities.*
>
> ***Predatory Lending:** Lenders that derive any revenue from lending activities that are deemed predatory and companies that have significant ownership of such lenders. Predatory practices include payday loans, high-interest instalment loans and rent-to-own schemes.*
>
> ***Tobacco Investment:** Tobacco producers and manufacturers, companies that derive a meaningful portion of their revenue from tobacco-related activities and companies that have significant ownership of either of the two forementioned categories. Tobacco related activities include both products and services.*

The Investment Manager monitors compliance with the social and environmental characteristics outlined above for the purposes of integrating sustainability risk into its investment –decision making process on an ongoing basis through automated controls coded into the Algebris Order Management System ("OMS"). The OMS has fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described above. Breaches are communicated systematically to the relevant teams via automated e-mail notification and they are escalated to relevant Boards and committees as appropriate.

<u>*Direct engagement with Lenders/Financers*</u>
A list of banks that comprise the core universe of the Fund have been identified. The ESG committee examines, inter alia, the institution's exposure and policies surrounding coal extraction and consumption and, on a case-by-case basis, where relevant public disclosures fall below industry standard or where exposure is thought to be high, a tailored questionnaire

assesses the institution's position on coal and any planned action to reduce its coal-related exposure.

The ESG committee engages directly with the same universe of banks, seeking assurance about their controversial weapons involvement and policies.

Voting Policy
Where the investment Manager is given the opportunity to exercise voting rights in relation to the positions held in the Fund, these are made in the best interests of the investors after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the relevant policy in place commits the Investment Manager to take an active role in the company's decision-making process, with sustainability being a prime consideration.

UNPRI Screening & ESG Scoring
The Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the UN Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Algebris group, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Investment Manager also assesses the governance practices of issuers through a variety of scores covering various aspects of firm-level governance, from external ESG data providers (such as Standard & Poors ("S&P")) in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee names."

3. **The Supplement in respect of the Algebris IG Financial Credit Fund shall be amended to include the following new section entitled "*The Sustainable Finance Disclosure Regulation*":**

"The Manager, in consultation with the Investment Manager, has categorised the Fund as meeting the provisions set out in Article 8 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR") for products which promote environmental and/or social characteristics and invest in companies that follow good governance practices, as further described below. The Fund does not have sustainable

investment as its investment objective. More information, including the full text of the exclusion policies discussed below, can be found on the website of the Manager and the Investment Manager (http://www.algebris.com/).

The Fund aims to promote environmental and/or social characteristics by achieving a capital allocation that can facilitate and accelerate the transition towards a greener and more sustainable economy for society as a whole, including in particular in connection with:

- *the governance practices of issuers*
- *predatory lending practices*
- *pollution prevention and control*
- *human rights*
- *labour relations*

The Investment Manager is a global investment manager with a historical focus on the financial sector, with over 80% of AUM at firm level invested in this sector across the capital structure. The Investment Manager considers banks to be the 'gatekeepers' of the transition towards a greener and more sustainable economy, due to the key role that the banking and broader financial sector play in providing funding across sectors and economic activities, hence playing a major part in determining how long environmentally and socially harmful activities can survive. The Investment Manager's sector specialization and its focus on global systemically important financial institutions ("G-SIFIs") presents it with an opportunity to contribute to the transition towards a fairer and more sustainable economy through its investments in institutions that themselves contribute to this transition. In order to meet the environmental and/or social characteristics promoted, the Investment Manager applies binding criteria to the selection of underlying assets as part of its investment decision making process. The selection criteria may not be disapplied or overridden by the Investment Manager. These binding criteria are reflected in the following strategies:

- *Exclusion policies – the Fund is subject to at least 4 exclusion policies, comprising of exclusion lists of restricted companies. These are constructed by the ESG team of the Algebris group through internal research combining the data of non-governmental organisations ("NGOs') and product involvement reports from specialised ESG data firm Sustainalytics.*

    - *Controversial weapons exclusion policy:*

      Core Exclusion: the Investment Manager will not invest in companies that: (1) the Investment Manager believes to be involved in, and derive any revenue from, the manufacturing of controversial weapons. This encompasses both companies involved in the core weapon system (or components/services of the core weapon system that are tailor-made and essential for the lethal use of the weapon) and companies providing components and/or services for the core *weapon system that are either not tailor-made or not essential to the lethal use of the weapon; (2) have a significant ownership in companies described under item (1) above.*

- *Financials overlay: the Investment Manager will not knowingly invest in debt or equity issued by the top-5 global investors in nuclear weapons and in the top-5 global investors in cluster weapons. The full text of the Controversial Weapons Exclusion Policy is available on the website of the Investment Manager (http://www.algebris.com/).*

- *Thermal coal exclusion policy:*

  Core Exclusion: the Investment Manager will not invest in companies that: (1) derive 5% or more of their total revenues from the extraction of thermal coal, and/or (2) derive 10% or more of their total revenues from thermal coal power generation, and/or (3) whose coal-fired power generation capacity accounts for over 20% of total capacity and/or (4) have a significant ownership in companies under (1), (2), (3).

  Financials overlay: the Investment Manager will not invest in the top-5 global equity and bond-holders in coal power plant developers, nor in the banks providing the largest share of lending to coal mining.

- *Predatory lending exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from predatory lending activities, and/or (2) have a significant ownership in companies under (1). The Investment Manager considers this policy as particularly relevant for the Fund, given the focus on investment in the financial sector.

- *Tobacco exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from the manufacturing of tobacco products, and/or (2) derive at least 5% of revenues from supply of tobacco-related products or services, and/or (3) have a significant ownership in companies under (1) or (2).

- *UNGC Screening*

In addition, the Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the United Nations Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Investment Manager, using data collected by *specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.*

The Investment Manager also assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external ESG data providers (such as Standard &Poors ("S&P")) in order to satisfy itself that the relevant investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.

The Investment Manager monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through a variety of scores covering various environmental and social factors, from external ESG data providers (such as S&P). The Investment Manager may also use NGO's data on specific topics, in addition to the in-house AI-driven controversy monitoring tool to monitor the impact of potential ESG-related controversies on the investee names.

Assessment of the likely impact of sustainability risks on the return of financial products

Sustainability risks may adversely affect the returns of the Fund. The Investment Manager has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment, and hence the Net Asset Value of the Fund.

The Fund invests primarily in securities of financial institutions. The sustainability risks of such investments include the sustainability risks of the investments made by the Fund's investee financial institutions as well as other sustainability risks that relate only to the Fund's investee financial institutions themselves.

The Fund's investments are exposed to losses resulting from reputational damage an investee issuer may face for a variety of reasons, including:

- *environmental, social or governance concerns in relation to the operation of the issuer*
- *compromise of human rights or labour rights*
- *breaches to intellectual property and privacy (GDPR) rights*

- *occupational health and safety*
- *gender, race and/or other non-discrimination standards*
- *other controversies or scandals*

The Fund's investments are also exposed to the risk of losses resulting from reputational damage an investee issuer may face in connection with its lending and funding operations, for example, in connection with the following sectors:

- *Greenhouse gas (GHG) and air pollutants (like SO_2 and CO_2 emissions)*
- *Mining, oil and gas extraction specific issues (like offshore drilling, Shale Oil and Gas Hydraulic Fracturing), coal extraction, dams and chemicals, including plastics*
- *Controversial Weapons, nuclear weapons proliferation and Defence equipment*
- *Agricultural, forestry and related to pulp & paper and palm oil*
- *Animal testing and animal welfare*
- *Tobacco, alcohol and addictive substances*
- *World Heritage sites and Ramsar wetlands*
- *Water use, resources and pollution*
- *Gambling and predatory lending*

Reputational damage to an investee company may lead to a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital.

The Fund's investments are also exposed to the risk that where investee financial institutions have provided finance to borrowers, sustainability risk events may impact the ability of such borrowers to repay their debt to investee financial institutions.

The Fund is also exposed to risks associated with the increased cost and administrative burden due to changes in regulations and policies in the areas of climate, energy, and environment as well as cost from improving governance and oversight, an area of regulatory focus for the financial institutions. More importantly, there is regulatory risk in the form of penalties for failing to comply with such regulations, accompanied by reputational stigma any such violation would bring, an issue particularly acute for high profile and systemic financial organisations.

***Integration of sustainability risks into the investment decision-making process*:**

The Investment Manager adopts the following strategies when integrating sustainability risks into the investment decision making process:

<u>*Issuer Exclusion lists*</u>
The investment decisions observe a number of exclusion lists as described below. They are applied at the issuer level and prevent investing in both equity and debt issued by the issuer. They are reviewed on an annual basis and positions on newly excluded issuers are exited within 30 days. The exclusion list suit comprises:

> ***Coal-powered energy generation and its funding chain**: coal developers and coal-intensive companies that are deemed non-investable due to their role in coal mining or coal power generation and coal investors and financers that fund such activities.*
>
> ***Controversial weapons manufacturing:** Weapon manufacturers that produce or closely involved in the production of weapon systems, which often include weapons prohibited by international conventions and treaties. The list comprises Anti-personnel Landmines, Cluster Munitions, Chemical and Biological Weapons, Nuclear Weapons and certain Indiscriminate weapons (like Non-Detectable fragments, incendiary and blinding laser weapons) and includes Investors and Financers that fund such activities.*
>
> ***Predatory Lending:** Lenders that derive any revenue from lending activities that are deemed predatory and companies that have significant ownership of such lenders. Predatory practices include payday loans, high-interest instalment loans and rent-to-own schemes.*
>
> ***Tobacco Investment:** Tobacco producers and manufacturers, companies that derive a meaningful portion of their revenue from tobacco-related activities and companies that have significant ownership of either of the two forementioned categories. Tobacco related activities include both products and services.*

The Investment Manager monitors compliance with the social and environmental characteristics outlined above for the purposes of integrating sustainability risk into its investment –decision making process on an ongoing basis through automated controls coded into the Algebris Order Management System ("OMS"). The OMS has fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described above. Breaches are communicated systematically to the relevant teams via automated e-mail notification and they are escalated to relevant Boards and committees as appropriate.

<u>*Direct engagement with Lenders/Financers*</u>
A list of banks that comprise the core universe of the Fund have been identified. The ESG committee examines, inter alia, the institution's exposure and policies surrounding coal extraction and consumption and, on a case-by-case basis, where relevant public disclosures fall below industry standard or where exposure is thought to be high, a tailored questionnaire assesses the institution's position on coal and any planned action to reduce its coal-related exposure.

The ESG committee engages directly with the same universe of banks, seeking assurance about their controversial weapons involvement and policies.

Voting Policy
Where the investment Manager is given the opportunity to exercise voting rights in relation to the positions held in the Fund, these are made in the best interests of the investors after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the relevant policy in place commits the Investment Manager to take an active role in the company's decision-making process, with sustainability being a prime consideration.

UNPRI Screening & ESG Scoring
The Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the UN Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Algebris group, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Investment Manager also assesses the governance practices of issuers through a variety of scores covering various aspects of firm-level governance, from external ESG data providers (such as Standard & Poors ("S&P")) in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee names."

4. The Supplement in respect of the Algebris Core Italy Fund shall be amended to include the following new section entitled "*The Sustainable Finance Disclosure Regulation*":

"The Manager has categorised the Fund as meeting the provisions set out in Article 8 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR") for products which promote environmental and/or social characteristics and invest in companies that follow good governance practices, as further described below. The Fund does not have sustainable investment as its investment objective. More information, including the full text of the exclusion policies discussed below, can be found on the website of the Manager (http://www.algebris.com/).

The Fund aims to promote environmental and/or social characteristics by achieving a capital allocation that can facilitate and accelerate the transition towards a greener and more sustainable economy for society as a whole, including in particular in connection with:

- *the governance practices of issuers*
- *predatory lending practices*
- *pollution prevention and control*
- *human rights*
- *labour relations*

In order to meet the environmental and/or social characteristics promoted, the Manager applies binding criteria to the selection of underlying assets as part of its investment decision making process. The selection criteria may not be disapplied or overridden by the Manager. These binding criteria are reflected in the following strategies:

- *Exclusion policies – the Fund is subject to at least 4 exclusion policies, comprising of exclusion lists of restricted companies. These are constructed by the ESG team of the Algebris group through internal research combining the data of non-governmental organisations ("NGOs') and product involvement reports from specialised ESG data firm Sustainalytics.*

    - *Controversial weapons exclusion policy:*

      Core Exclusion: the Manager will not invest in companies that: (1) the Manager believes to be involved in, and derive any revenue from, the manufacturing of controversial weapons. This encompasses both companies involved in the core weapon system (or components/services of the core weapon system that are tailor-made and essential for the lethal use of the weapon) and companies providing components and/or services for the core weapon system that are either not tailor-made or not essential to the lethal use of the weapon; (2) have a significant ownership in companies described under item (1) above.

    - *Financials overlay: the Manager will not knowingly invest in debt or equity issued by the top-5 global investors in nuclear weapons and in the top-5 global investors in cluster weapons (the full text of the Controversial Weapons Exclusion Policy is available on the website of the Manager (http://www.algebris.com/)), provided however that the Fund – which is restricted to investing in Italian securities - may invest in Leonardo S.p.A. This exception is justified on two grounds: (i) the size and economic importance of Leonardo S.p.A. within the Italian investment landscape; (ii) the fact that the involvement of Leonardo S.p.A. in nuclear weapons occurs through the MBDA joint venture with Airbus and BAE, in which Leonardo S.p.A. has a minority participation. However, the Manager will monitor Leonardo S.p.A. on a regular basis, with the understanding that a change in the size or nature of its involvement in* *manufacturing of nuclear weapons could result in the Manager withdrawing this exception.*

- *Thermal coal exclusion policy:*

  Core Exclusion: the Manager will not invest in companies that: (1) derive 5% or more of their total revenues from the extraction of thermal coal, and/or (2) derive 10% or more of their total revenues from thermal coal power generation, and/or (3) whose coal-fired power generation capacity accounts for over 20% of total capacity and/or (4) have a significant ownership in companies under (1), (2), (3).

  Financials overlay: the Manager will not invest in the top-5 global equity and bond-holders in coal power plant developers, nor in the banks providing the largest share of lending to coal mining.

- *Predatory lending exclusion policy:*

  Core exclusion: the Manager will not invest in companies that: (1) derive any revenues (0% threshold) from predatory lending activities, and/or (2) have a significant ownership in companies under (1). The Manager considers this policy as particularly relevant for the Fund, given the focus on investment in the financial sector.

- *Tobacco exclusion policy:*

  Core exclusion: the Manager will not invest in companies that: (1) derive any revenues (0% threshold) from the manufacturing of tobacco products, and/or (2) derive at least 5% of revenues from supply of tobacco-related products or services, and/or (3) have a significant ownership in companies under (1) or (2).

- *UNGC Screening*

In addition, the Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the United Nations Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Manager, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Manager also assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external ESG data providers (such as Standard &Poors ("S&P")) in order to satisfy itself that the relevant investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The *investment team of the Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.*

The Manager monitors compliance with the social and environmental characteristics outlined above on a regular basis through a variety of scores covering various environmental and social factors, from external ESG data providers (such as S&P). The Manager may also use NGO's data on specific topics, in addition to the in-house AI-driven controversy monitoring tool to monitor the impact of potential ESG-related controversies on the investee names.

In addition, the Algebris group is a supporter of the Say on Climate Initiative. As part of our commitment to the initiative, the Manager will encourage all listed companies to submit a Climate Transition Action Plan at their AGM for a shareholder vote. Where companies do not do so voluntarily, Algebris will vote for and file AGM resolutions (whenever we have sufficient votes) requiring such votes.

The Performance Benchmark is only used for performance monitoring purposes. The Performance Benchmark is not consistent with the environmental and/or social characteristics promoted by the Fund.

Assessment of the likely impact of sustainability risks on the return of financial products

Sustainability risks may adversely affect the returns of the Fund. The Manager has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment, and hence the Net Asset Value of the Fund.

The Fund invests primarily in the securities of Italian companies. The sustainability risks of such investments include the sustainability risks of the investments made by the Fund's investee companies as well as other sustainability risks that relate only to the Fund's investee companies themselves.

The Fund's investments are exposed to losses resulting from reputational damage an investee issuer may face for a variety of reasons, including:

- *environmental, social or governance concerns in relation to the operation of the issuer*
- *compromise of human rights or labour rights*
- *breaches to intellectual property and privacy (GDPR) rights*
- *occupational health and safety*
- *gender, race and/or other non-discrimination standards*
- *other controversies or scandals*

The Fund's investments are also exposed to the risk of losses resulting from reputational damage an investee issuer may face in connection with its lending and funding operations in the case of financial institutions, for example in connection with the following sectors:

- *Greenhouse gas (GHG) and air pollutants (like SO_2 and CO_2 emissions)*
- *Mining, oil and gas extraction specific issues (like offshore drilling, Shale Oil and Gas Hydraulic Fracturing), coal extraction, dams and chemicals, including plastics*
- *Controversial Weapons, nuclear weapons proliferation and Defence equipment*
- *Agricultural, forestry and related to pulp & paper and palm oil*
- *Animal testing and animal welfare*
- *Tobacco, alcohol and addictive substances*
- *World Heritage sites and Ramsar wetlands*
- *Water use, resources and pollution*
- *Gambling and predatory lending*

Reputational damage to an investee company may lead to a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital.

In the case of investment in financial institutions, the Fund's investments are also exposed to the risk that where investee companies have provided finance to borrowers, sustainability risk events may impact the ability of such borrowers to repay their debt to investee companies.

Integration of sustainability risks into the investment decision-making process

The Manager adopts the following strategies when integrating sustainability risks into the investment decision making process:

<u>Issuer Exclusion lists</u>

The investment decisions observe a number of exclusion lists as described below. They are applied at the issuer level and prevent investing in both equity and debt issued by the issuer. They are reviewed on an annual basis and positions on newly excluded issuers are exited within 30 days. The exclusion list suit comprises:

> ***Coal-powered energy generation and its funding chain**: coal developers and coal-intensive companies that are deemed non-investable due to their role in coal mining or coal power generation and coal investors and financers that fund such activities.*
>
> ***Controversial weapons manufacturing:** Weapon manufacturers that produce or closely involved in the production of weapon systems, which often include weapons prohibited by international conventions and treaties. The list comprises Anti-personnel Landmines, Cluster Munitions, Chemical and Biological Weapons, Nuclear Weapons and certain Indiscriminate weapons (like Non-Detectable fragments, incendiary and blinding laser weapons) and includes Investors and Financers that fund such activities.*

Predatory Lending: Lenders that derive any revenue from lending activities that are deemed predatory and companies that have significant ownership of such lenders. Predatory practices include payday loans, high-interest instalment loans and rent-to-own schemes.

Tobacco Investment: *Tobacco producers and manufacturers, companies that derive a meaningful portion of their revenue from tobacco-related activities and companies that have significant ownership of either of the two forementioned categories. Tobacco related activities include both products and services.*

The Manager monitors compliance with the social and environmental characteristics outlined above for the purposes of integrating sustainability risk into its investment –decision making process on an ongoing basis through automated controls coded into the Algebris Order Management System ("OMS"). The OMS has fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described above. Breaches are communicated systematically to the relevant teams via automated e-mail notification and they are escalated to relevant boards and committees of the Algebris group, as appropriate.

Voting Policy
Where the Manager is given the opportunity to exercise voting rights in relation to the positions held in the Fund, it is the policy of the Manager that these are made in the best interests of the investors after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the relevant policy in place commits the Manager to take an active role in the company's decision-making process, with sustainability being a prime consideration.

ESG Scoring
The Manager also assesses the governance practices of issuers through a variety of scores covering various aspects of firm-level governance, from a combination of external ESG data providers (such as Standard & Poors ("S&P")) and an ESG questionnaire completed by the issuers in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algbris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee names."

5. The Supplement in respect of the Algebris Financial Equity Fund shall be amended to include the following new section entitled "*The Sustainable Finance Disclosure Regulation*":

"The Manager, in consultation with the Investment Manager, has categorised the Fund as meeting the provisions set out in Article 8 of Regulation (EU) 2019/2088 on sustainability

related disclosures in the financial services sector ("SFDR") for products which promote environmental and/or social characteristics and invest in companies that follow good governance practices, as further described below. The Fund does not have sustainable investment as its investment objective. More information, including the full text of the exclusion policies discussed below, can be found on the website of the Manager and the Investment Manager (http://www.algebris.com/).

The Fund aims to promote environmental and/or social characteristics by achieving a capital allocation that can facilitate and accelerate the transition towards a greener and more sustainable economy for society as a whole, including in particular in connection with:

- *the governance practices of issuers*
- *predatory lending practices*
- *pollution prevention and control*
- *human rights*
- *labour relations*

The Investment Manager is a global investment manager with a historical focus on the financial sector, with over 80% of AUM at firm level invested in this sector across the capital structure. The Investment Manager considers banks to be the 'gatekeepers' of the transition towards a greener and more sustainable economy, due to the key role that the banking and broader financial sector play in providing funding across sectors and economic activities, hence playing a major part in determining how long environmentally and socially harmful activities can survive. The Investment Manager's sector specialization and its focus on global systemically important financial institutions ("G-SIFIs") presents it with an opportunity to contribute to the transition towards a fairer and more sustainable economy through its investments in institutions that themselves contribute to this transition. In order to meet the environmental and/or social characteristics promoted, the Investment Manager applies binding criteria to the selection of underlying assets as part of its investment decision making process. The selection criteria may not be disapplied or overridden by the Investment Manager. These binding criteria are reflected in the following strategies:

- *Exclusion policies – the Fund is subject to at least 4 exclusion policies, comprising of exclusion lists of restricted companies. These are constructed by the ESG team of the Algebris group through internal research combining the data of non-governmental organisations ("NGOs') and product involvement reports from specialised ESG data firm Sustainalytics.*
    - *Controversial weapons exclusion policy:*

      Core Exclusion: the Investment Manager will not invest in companies that: (1) the Investment Manager believes to be involved in, and derive any revenue from, the manufacturing of controversial weapons. This encompasses both companies involved in the core weapon system (or components/services of the *core weapon system that are tailor-made and essential for the lethal use of the weapon) and companies providing components and/or services for the core weapon system that are either not tailor-made or not essential to the lethal use of the weapon; (2) have a significant ownership in companies described under item (1) above.*

- *Financials overlay: the Investment Manager will not knowingly invest in debt or equity issued by the top-5 global investors in nuclear weapons and in the top-5 global investors in cluster weapons. The full text of the Controversial Weapons Exclusion Policy is available on the website of the Investment Manager (http://www.algebris.com/).*

- *Thermal coal exclusion policy:*

  Core Exclusion: the Investment Manager will not invest in companies that: (1) derive 5% or more of their total revenues from the extraction of thermal coal, and/or (2) derive 10% or more of their total revenues from thermal coal power generation, and/or (3) whose coal-fired power generation capacity accounts for over 20% of total capacity and/or (4) have a significant ownership in companies under (1), (2), (3).

  Financials overlay: the Investment Manager will not invest in the top-5 global equity and bond-holders in coal power plant developers, nor in the banks providing the largest share of lending to coal mining.

- *Predatory lending exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from predatory lending activities, and/or (2) have a significant ownership in companies under (1). The Investment Manager considers this policy as particularly relevant for the Fund, given the focus on investment in the financial sector.

- *Tobacco exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from the manufacturing of tobacco products, and/or (2) derive at least 5% of revenues from supply of tobacco-related products or services, and/or (3) have a significant ownership in companies under (1) or (2).

- *UNGC Screening*

In addition, the Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the United Nations Global Compact (“UNGC”). The screening will be underpinned by quantitative and qualitative analysis carried out *by the ESG research team of the Investment Manager, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.*

The Investment Manager also assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external ESG data providers (such as Standard &Poors ("S&P")) in order to satisfy itself that the relevant investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.

The Investment Manager monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through a variety of scores covering various environmental and social factors, from external ESG data providers (such as S&P). The Investment Manager may also use NGO's data on specific topics, in addition to the in-house AI-driven controversy monitoring tool to monitor the impact of potential ESG-related controversies on the investee names.

In addition, the Algebris group is a supporter of the Say on Climate Initiative. As part of our commitment to the initiative, the Investment Manager will encourage all listed companies to submit a Climate Transition Action Plan at their AGM for a shareholder vote. Where companies do not do so voluntarily, Algebris will vote for and file AGM resolutions (whenever we have sufficient votes) requiring such votes.

The Benchmark Index is only used for risk monitoring purposes. The Benchmark Index is not consistent with the social and/or environmental characteristics promoted by the Fund.

***Assessment of the likely impact of sustainability risks on the return of financial products*:**

Sustainability risks may adversely affect the returns of the Fund. The Investment Manager has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment, and hence the Net Asset Value of the Fund.

The Fund invests primarily in securities of financial institutions. The sustainability risks of such investments include the sustainability risks of the investments made by the Fund's investee *financial institutions as well as other sustainability risks that relate only to the Fund's investee financial institutions themselves.*

The Fund's investments are exposed to losses resulting from reputational damage an investee issuer may face for a variety of reasons, including:

- *environmental, social or governance concerns in relation to the operation of the issuer*
- *compromise of human rights or labour rights*
- *breaches to intellectual property and privacy (GDPR) rights*
- *occupational health and safety*
- *gender, race and/or other non-discrimination standards*
- *other controversies or scandals*

The Fund's investments are also exposed to the risk of losses resulting from reputational damage an investee issuer may face in connection with its lending and funding operations, for example, in connection with the following sectors:

- *Greenhouse gas (GHG) and air pollutants (like SO_2 and CO_2 emissions)*
- *Mining, oil and gas extraction specific issues (like offshore drilling, Shale Oil and Gas Hydraulic Fracturing), coal extraction, dams and chemicals, including plastics*
- *Controversial Weapons, nuclear weapons proliferation and Defence equipment*
- *Agricultural, forestry and related to pulp & paper and palm oil*
- *Animal testing and animal welfare*
- *Tobacco, alcohol and addictive substances*
- *World Heritage sites and Ramsar wetlands*
- *Water use, resources and pollution*
- *Gambling and predatory lending*

Reputational damage to an investee company may lead to a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital.

The Fund's investments are also exposed to the risk that where investee financial institutions have provided finance to borrowers, sustainability risk events may impact the ability of such borrowers to repay their debt to investee financial institutions.

The Fund is also exposed to risks associated with the increased cost and administrative burden due to changes in regulations and policies in the areas of climate, energy, and environment as well as cost from improving governance and oversight, an area of regulatory focus for the financial institutions. More importantly, there is regulatory risk in the form of penalties for failing to comply with such regulations, accompanied by reputational stigma any such violation would bring, an issue particularly acute for high profile and systemic financial organisations.

Integration of sustainability risks into the investment decision-making process

The Investment Manager adopts the following strategies when integrating sustainability risks into the investment decision making process:

<u>*Issuer Exclusion lists*</u>
The investment decisions observe a number of exclusion lists as described below. They are applied at the issuer level and prevent investing in both equity and debt issued by the issuer. They are reviewed on an annual basis and positions on newly excluded issuers are exited within 30 days. The exclusion list suit comprises:

***Coal-powered energy generation and its funding chain**: coal developers and coal-intensive companies that are deemed non-investable due to their role in coal mining or coal power generation and coal investors and financers that fund such activities.*

***Controversial weapons manufacturing:** Weapon manufacturers that produce or closely involved in the production of weapon systems, which often include weapons prohibited by international conventions and treaties. The list comprises Anti-personnel Landmines, Cluster Munitions, Chemical and Biological Weapons, Nuclear Weapons and certain Indiscriminate weapons (like Non-Detectable fragments, incendiary and blinding laser weapons) and includes Investors and Financers that fund such activities.*

***Predatory Lending:** Lenders that derive any revenue from lending activities that are deemed predatory and companies that have significant ownership of such lenders. Predatory practices include payday loans, high-interest instalment loans and rent-to-own schemes.*

***Tobacco Investment:** Tobacco producers and manufacturers, companies that derive a meaningful portion of their revenue from tobacco-related activities and companies that have significant ownership of either of the two forementioned categories. Tobacco related activities include both products and services.*

The Investment Manager monitors compliance with the social and environmental characteristics outlined above for the purposes of integrating sustainability risk into its investment –decision making process on an ongoing basis through automated controls coded into the Algebris Order Management System ("OMS"). The OMS has fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described above. Breaches *are communicated systematically to the relevant teams via automated e-mail notification and they are escalated to relevant Boards and committees as appropriate.*

Direct engagement with Lenders/Financers
A list of banks that comprise the core universe of the Fund have been identified. The ESG committee examines, inter alia, the institution's exposure and policies surrounding coal extraction and consumption and, on a case-by-case basis, where relevant public disclosures fall below industry standard or where exposure is thought to be high, a tailored questionnaire assesses the institution's position on coal and any planned action to reduce its coal-related exposure.

The ESG committee engages directly with the same universe of banks, seeking assurance about their controversial weapons involvement and policies.

Voting Policy
Where the investment Manager is given the opportunity to exercise voting rights in relation to the positions held in the Fund, these are made in the best interests of the investors after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the relevant policy in place commits the Investment Manager to take an active role in the company's decision-making process, with sustainability being a prime consideration.

UNPRI Screening & ESG Scoring
The Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the UN Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Algebris group, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Investment Manager also assesses the governance practices of issuers through a variety of scores covering various aspects of firm-level governance, from external ESG data providers (such as Standard & Poors ("S&P")) in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee names."

6. **The Supplement in respect of the Algebris Financial Income Fund shall be amended to include the following new section entitled "*The Sustainable Finance Disclosure Regulation*":**

"The Manager, in consultation with the Investment Manager, has categorised the Fund as meeting the provisions set out in Article 8 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR") for products which promote environmental and/or social characteristics and invest in companies that follow good governance practices, as further described below. The Fund does not have sustainable investment as its investment objective. More information, including the full text of the exclusion policies discussed below, can be found on the website of the Manager and the Investment Manager (http://www.algebris.com/).

The Fund aims to promote environmental and/or social characteristics by achieving a capital allocation that can facilitate and accelerate the transition towards a greener and more sustainable economy for society as a whole, including in particular in connection with:

- *the governance practices of issuers*
- *predatory lending practices*
- *pollution prevention and control*
- *human rights*
- *labour relations*

The Investment Manager is a global investment manager with a historical focus on the financial sector, with over 80% of AUM at firm level invested in this sector across the capital structure. The Investment Manager considers banks to be the 'gatekeepers' of the transition towards a greener and more sustainable economy, due to the key role that the banking and broader financial sector play in providing funding across sectors and economic activities, hence playing a major part in determining how long environmentally and socially harmful activities can survive. The Investment Manager's sector specialization and its focus on global systemically important financial institutions ("G-SIFIs") presents it with an opportunity to contribute to the transition towards a fairer and more sustainable economy through its investments in institutions that themselves contribute to this transition. In order to meet the environmental and/or social characteristics promoted, the Investment Manager applies binding criteria to the selection of underlying assets as part of its investment decision making process. The selection criteria may not be disapplied or overridden by the Investment Manager. These binding criteria are reflected in the following strategies:

- *Exclusion policies – the Fund is subject to at least 4 exclusion policies, comprising of exclusion lists of restricted companies. These are constructed by the ESG team of the Algebris group through internal research combining the data of non-governmental organisations ("NGOs') and product involvement reports from specialised ESG data firm Sustainalytics.*

- *Controversial weapons exclusion policy:*

  Core Exclusion: the Investment Manager will not invest in companies that: (1) the Investment Manager believes to be involved in, and derive any revenue from, the manufacturing of controversial weapons. This encompasses both companies involved in the core weapon system (or components/services of the core weapon system that are tailor-made and essential for the lethal use of the weapon) and companies providing components and/or services for the core weapon system that are either not tailor-made or not essential to the lethal use of the weapon; (2) have a significant ownership in companies described under item (1) above.

- *Financials overlay: the Investment Manager will not knowingly invest in debt or equity issued by the top-5 global investors in nuclear weapons and in the top-5 global investors in cluster weapons. The full text of the Controversial Weapons Exclusion Policy is available on the website of the Investment Manager (http://www.algebris.com/).*

- *Thermal coal exclusion policy:*

  Core Exclusion: the Investment Manager will not invest in companies that: (1) derive 5% or more of their total revenues from the extraction of thermal coal, and/or (2) derive 10% or more of their total revenues from thermal coal power generation, and/or (3) whose coal-fired power generation capacity accounts for over 20% of total capacity and/or (4) have a significant ownership in companies under (1), (2), (3).

  Financials overlay: the Investment Manager will not invest in the top-5 global equity and bond-holders in coal power plant developers, nor in the banks providing the largest share of lending to coal mining.

- *Predatory lending exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from predatory lending activities, and/or (2) have a significant ownership in companies under (1). The Investment Manager considers this policy as particularly relevant for the Fund, given the focus on investment in the financial sector.

- *Tobacco exclusion policy:*

  Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from the manufacturing of tobacco products, and/or (2) derive at least 5% of revenues from supply of tobacco-

related products or services, and/or (3) have a significant ownership in companies under (1) or (2).

- *UNGC Screening*

  In addition, the Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the United Nations Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Investment Manager, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Investment Manager also assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external ESG data providers (such as Standard &Poors ("S&P")) in order to satisfy itself that the relevant investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.

The Investment Manager monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through a variety of scores covering various environmental and social factors, from external ESG data providers (such as S&P). The Investment Manager may also use NGO's data on specific topics, in addition to the in-house AI-driven controversy monitoring tool to monitor the impact of potential ESG-related controversies on the investee names.

In addition, the Algebris group is a supporter of the Say on Climate Initiative. As part of our commitment to the initiative, the Investment Manager will encourage all listed companies to submit a Climate Transition Action Plan at their AGM for a shareholder vote. Where companies do not do so voluntarily, Algebris will vote for and file AGM resolutions (whenever we have sufficient votes) requiring such votes.

***Assessment of the likely impact of sustainability risks on the return of financial products*:**

Sustainability risks may adversely affect the returns of the Fund. The Investment Manager has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. A sustainability risk is an environmental, social or governance event *or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment, and hence the Net Asset Value of the Fund.*

The Fund invests primarily in securities of financial institutions. The sustainability risks of such investments include the sustainability risks of the investments made by the Fund's investee financial institutions as well as other sustainability risks that relate only to the Fund's investee financial institutions themselves.

The Fund's investments are exposed to losses resulting from reputational damage an investee issuer may face for a variety of reasons, including:

- *environmental, social or governance concerns in relation to the operation of the issuer*
- *compromise of human rights or labour rights*
- *breaches to intellectual property and privacy (GDPR) rights*
- *occupational health and safety*
- *gender, race and/or other non-discrimination standards*
- *other controversies or scandals*

The Fund's investments are also exposed to the risk of losses resulting from reputational damage an investee issuer may face in connection with its lending and funding operations, for example, in connection with the following sectors:

- *Greenhouse gas (GHG) and air pollutants (like SO_2 and CO_2 emissions)*
- *Mining, oil and gas extraction specific issues (like offshore drilling, Shale Oil and Gas Hydraulic Fracturing), coal extraction, dams and chemicals, including plastics*
- *Controversial Weapons, nuclear weapons proliferation and Defence equipment*
- *Agricultural, forestry and related to pulp & paper and palm oil*
- *Animal testing and animal welfare*
- *Tobacco, alcohol and addictive substances*
- *World Heritage sites and Ramsar wetlands*
- *Water use, resources and pollution*
- *Gambling and predatory lending*

Reputational damage to an investee company may lead to a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital.

The Fund's investments are also exposed to the risk that where investee financial institutions have provided finance to borrowers, sustainability risk events may impact the ability of such borrowers to repay their debt to investee financial institutions.

The Fund is also exposed to risks associated with the increased cost and administrative burden due to changes in regulations and policies in the areas of climate, energy, and environment as well as cost from improving governance and oversight, an area of regulatory focus for the financial institutions. More importantly, there is regulatory risk in the form of penalties for failing to comply with such regulations, accompanied by reputational stigma any such violation would bring, an issue particularly acute for high profile and systemic financial organisations.

Integration of sustainability risks into the investment decision-making process

The Investment Manager adopts the following strategies when integrating sustainability risks into the investment decision making process:

<u>*Issuer Exclusion lists*</u>
The investment decisions observe a number of exclusion lists as described below. They are applied at the issuer level and prevent investing in both equity and debt issued by the issuer. They are reviewed on an annual basis and positions on newly excluded issuers are exited within 30 days. The exclusion list suit comprises:

Coal-powered energy generation and its funding chain*: coal developers and coal-intensive companies that are deemed non-investable due to their role in coal mining or coal power generation and coal investors and financers that fund such activities.*

Controversial weapons manufacturing: *Weapon manufacturers that produce or closely involved in the production of weapon systems, which often include weapons prohibited by international conventions and treaties. The list comprises Anti-personnel Landmines, Cluster Munitions, Chemical and Biological Weapons, Nuclear Weapons and certain Indiscriminate weapons (like Non-Detectable fragments, incendiary and blinding laser weapons) and includes Investors and Financers that fund such activities.*

Predatory Lending: *Lenders that derive any revenue from lending activities that are deemed predatory and companies that have significant ownership of such lenders. Predatory practices include payday loans, high-interest instalment loans and rent-to-own schemes.*

Tobacco Investment: *Tobacco producers and manufacturers, companies that derive a meaningful portion of their revenue from tobacco-related activities and companies that have significant ownership of either of the two forementioned categories. Tobacco related activities include both products and services.*

The Investment Manager monitors compliance with the social and environmental characteristics outlined above for the purposes of integrating sustainability risk into its investment –decision making process on an ongoing basis through automated controls coded into the Algebris Order Management System ("OMS"). The OMS has fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described above. Breaches are communicated systematically to the relevant teams via automated e-mail notification and they are escalated to relevant Boards and committees as appropriate.

Direct engagement with Lenders/Financers

A list of banks that comprise the core universe of the Fund have been identified. The ESG committee examines, inter alia, the institution's exposure and policies surrounding coal extraction and consumption and, on a case-by-case basis, where relevant public disclosures fall below industry standard or where exposure is thought to be high, a tailored questionnaire assesses the institution's position on coal and any planned action to reduce its coal-related exposure.

The ESG committee engages directly with the same universe of banks, seeking assurance about their controversial weapons involvement and policies.

Voting Policy

Where the investment Manager is given the opportunity to exercise voting rights in relation to the positions held in the Fund, these are made in the best interests of the investors after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the relevant policy in place commits the Investment Manager to take an active role in the company's decision-making process, with sustainability being a prime consideration.

UNPRI Screening & ESG Scoring

The Fund is subject to a screening that evaluates the alignment of investee companies with the 10 Principles of the UN Global Compact ("UNGC"). The screening will be underpinned by quantitative and qualitative analysis carried out by the ESG research team of the Algebris group, using data collected by specialised ESG data provider Vigeo Eiris. From an operational standpoint, this screening will restrict investment in companies that are identified to be exhibiting a poor performance in business areas relevant to the UNGC principles, and companies whose performance is significantly below average (but above the threshold for immediate exclusion) will be placed on a watchlist.

The Investment Manager also assesses the governance practices of issuers through a variety of scores covering various aspects of firm-level governance, from external ESG data providers (such as Standard & Poors ("S&P")) in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-

related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee names."

7. The Supplement in respect of the Algebris Global Credit Opportunities Fund shall be amended to include the following new section entitled "*The Sustainable Finance Disclosure Regulation*":

"The Manager, in consultation with the Investment Manager, has categorised the Fund as meeting the provisions set out in Article 8 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR") for products which promote environmental and/or social characteristics and invest in companies that follow good governance practices, as further described below. The Fund does not have sustainable investment as its investment objective. More information, including the full text of the exclusion policies discussed below, can be found on the website of the Manager and the Investment Manager (http://www.algebris.com/).

The Fund aims to promote environmental and/or social characteristics by closely monitoring the ESG performance of issuers in the portfolio, and aiming to achieve a good ESG average rating for the portfolio including in particular in connection with:

- *the governance practices of issuers*
- *predatory lending practices*
- *social factors and control of corruption*
- *pollution prevention and control*

In order to meet the environmental and/or social characteristics promoted, the Investment Manager applies binding criteria to the selection of underlying assets as part of its investment decision making process. The selection criteria may not be disapplied or overridden by the Investment Manager. These binding criteria are reflected in the following strategies:

Exclusion policies – the Fund is subject to at least 4 exclusion policies, comprising of exclusion lists of restricted companies. These are constructed by the ESG team of the Investment Manager through internal research combining the data of non-governmental organisations ("NGOs') and product involvement reports from specialised ESG data firm Sustainalytics.

Controversial weapons exclusion policy:

Core Exclusion: the Investment Manager will not invest in companies that: (1) the Investment Manager believes to be involved in, and derive any revenue from, the manufacturing of controversial weapons. This encompasses both companies involved in the core weapon system (or components/services of the *core weapon system that are tailor-made and essential for the lethal use of the weapon) and companies providing components and/or services for the core weapon system that are either not tailor-made or not essential to the lethal use of the weapon; (2) have a significant ownership in companies described under item (1) above.*

Financials overlay: the Investment Manager will not knowingly invest in debt or equity issued by the top-5 global investors in nuclear weapons and in the top-5 global investors in cluster weapons. The full text of the Controversial Weapons Exclusion Policy is available on the website of the Investment Manager (http://www.algebris.com/).

Thermal coal exclusion policy:

Core Exclusion: the Investment Manager will not invest in companies that: (1) derive 5% or more of their total revenues from the extraction of thermal coal, and/or (2) derive 10% or more of their total revenues from thermal coal power generation, and/or (3) whose coal-fired power generation capacity accounts for over 20% of total capacity and/or (4) have a significant ownership in companies under (1), (2), (3).

Financials overlay: the Investment Manager will not invest in the top-5 global equity and bond-holders in coal power plant developers, nor in the banks providing the largest share of lending to coal mining.

Predatory lending exclusion policy:

Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from predatory lending activities, and/or (2) have a significant ownership in companies under (1). The Investment Manager considers this policy as particularly relevant for the Fund, given the focus on investment in the financial sector.

Tobacco exclusion policy:

Core exclusion: the Investment Manager will not invest in companies that: (1) derive any revenues (0% threshold) from the manufacturing of tobacco products, and/or (2) derive at least 5% of revenues from supply of tobacco-related products or services, and/or (3) have a significant ownership in companies under (1) or (2).

The Investment Manager also assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from external ESG data providers (such as Standard &Poors ("S&P")) in order to satisfy itself that the relevant investee companies follow good governance practices, in *particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Algebris group is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee companies.*

The Investment Manager monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through a variety of scores covering various environmental and social factors, from external ESG data providers (such as S&P). The Investment Manager may also use NGO's data on specific topics, in addition to the in-house AI-driven controversy monitoring tool to monitor the impact of potential ESG-related controversies on the investee names.

Assessment of the likely impact of sustainability risks on the return of financial products

Sustainability risks may adversely affect the returns of the Fund. The Investment Manager has implemented a policy in respect of the integration of sustainability risks in its investment decision making-process. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment, and hence the Net Asset Value of the Fund.

The Fund invests primarily in global bond and credit markets. The sustainability risks of such investments include the sustainability risks of the investments made by the Fund's investee companies as well as other sustainability risks that relate only to the Fund's investee companies themselves.

The Fund's investments are exposed to losses resulting from reputational damage an investee issuer may face for a variety of reasons, including:

- *environmental, social or governance concerns in relation to the operation of the issuer*
- *compromise of human rights or labour rights*
- *breaches to intellectual property and privacy (GDPR) rights*
- *occupational health and safety*
- *gender, race and/or other non-discrimination standards*
- *other controversies or scandals*

In the case of investment in financial institutions, the Fund's investments are also exposed to the risk of losses resulting from reputational damage an investee issuer may face in connection with its lending and funding operations, for example in connection with the following sectors:

- *Greenhouse gas (GHG) and air pollutants (like SO_2 and CO_2 emissions)*

- *Mining, oil and gas extraction specific issues (like offshore drilling, Shale Oil and Gas Hydraulic Fracturing), coal extraction, dams and chemicals, including plastics*
- *Controversial Weapons, nuclear weapons proliferation and Defence equipment*
- *Agricultural, forestry and related to pulp & paper and palm oil*
- *Animal testing and animal welfare*
- *Tobacco, alcohol and addictive substances*
- *World Heritage sites and Ramsar wetlands*
- *Water use, resources and pollution*
- *Gambling and predatory lending*

Reputational damage to an investee company may lead to a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital.

In the case of investment in financial institutions, the Fund's investments are also exposed to the risk that where investee companies have provided finance to borrowers, sustainability risk events may impact the ability of such borrowers to repay their debt to investee companies.

Integration of sustainability risks into the investment decision-making process

The Investment Manager adopts the following strategies when integrating sustainability risks into the investment decision making process:

<u>*Issuer Exclusion lists*</u>

The investment decisions observe a number of exclusion lists as described below. They are applied at the issuer level and prevent investing in both equity and debt issued by the issuer. They are reviewed on an annual basis and positions on newly excluded issuers are exited within 30 days. The exclusion list suit comprises:

***Coal-powered energy generation and its funding chain**: Coal Developers and Coal-intensive Companies that are deemed non-investable due to their role in coal mining or coal power generation and Coal Investors and Financers that fund such activities.*

***Controversial weapons manufacturing:** Weapon manufacturers that produce or closely involved in the production of weapon systems, which often include weapons prohibited by international conventions and treaties. The list comprises Anti-personnel Landmines, Cluster Munitions, Chemical and Biological Weapons, Nuclear Weapons and certain Indiscriminate weapons (like Non-Detectable fragments, incendiary and blinding laser weapons) and includes Investors and Financers that fund such activities.*

Predatory Lending: *Lenders that derive any revenue from lending activities that are deemed predatory and companies that have significant ownership of such lenders. Predatory practices include payday loans, high-interest instalment loans and rent-to-own schemes.*

Tobacco Investment: *Tobacco producers and manufacturers, companies that derive a meaningful portion of their revenue from tobacco-related activities and companies that have significant ownership of either of the two forementioned categories. Tobacco related activities include both products and services.*

The Investment Manager monitors compliance with the social and environmental characteristics outlined above on an ongoing basis through automated controls coded into the Algebris Order Management System ("OMS"). The OMS has fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described above. Breaches are communicated systematically to the relevant teams via automated e-mail notification and they are escalated to relevant Boards and committees as appropriate.

Voting Policy

Where the investment Manager is given the opportunity to exercise voting rights in relation to the positions held in the fund, these are made in the best interests of the investor after considering the long-term sustainability of the respective issuer. While abstaining can be the best option in a limited number of cases, the relevant policy in place commits the Investment Manager to take an active role in the company's decision-making process, with sustainability being a prime consideration.

ESG Scoring

The Investment Manager also assesses the governance practices of issuers through a variety of scores covering various aspects of firm-level governance, from external ESG data providers (such as S&P) in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The investment team of the Investment Manager may also engage with investee companies about specific governance-related issues. The dedicated AI/Big Data team of the Investment Manager is further developing an AI-driven controversy monitoring tool to monitor the increase of potential ESG-related controversies relating to investee names."

8. The Prospectus shall be amended by the insertion of the following paragraph entitled "Principal Adverse Impact on Sustainability Factors" before the last paragraph in the section entitled "Risk Factors" on page 60 of the Prospectus:

"The Manager is supportive of the policy aims underlying Article 4 of the SFDR to improve transparency to clients, investors and the financial market, as to how financial market participants integrate consideration of the principal adverse impacts of their investment decisions on sustainability factors.

However, having taken into account the size, nature and scale of its activities, and as the primary objective of each Fund is to seek to achieve capital appreciation and to generate yield and modest capital appreciation with a focus on managing downside risks, the Manager considers it would be disproportionate to consider principal adverse impacts of investment decisions on sustainability factors at this time. In addition, the Manager considers there is insufficient, readily available and reliable data from investee companies and market data providers to enable it to take principal adverse impacts of investment decisions on sustainability factors into account.

The Manager and its delegates therefore do not currently consider adverse impacts of investment decisions on sustainability factors.

The Manager intends to keep its decision not to consider principal adverse impacts on sustainability factors under regular review and will formally re-evaluate the decision at least annually."

Dated: 8 March, 2021