

Sustainability-related disclosures¹

Algebris Sustainable World Fund (the “Fund”)

1. Summary

This document provides information about the Fund in relation to the sustainability related characteristics and/or objectives pursuant to Article 10 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector (“SFDR”).

No significant harm to the sustainable investment objective

In order to ensure that the sustainable investments that the Fund makes do not cause significant harm to any environmental or social sustainable objective the Manager assesses each investment against a set of indicators of adverse impacts, which utilises a range of data sources across climate and other environmental related indicators and social related indicators.

Sustainable investment objective of the financial product

The sustainable investment objective of the Fund is to make a positive impact on worldwide environmental sustainability and social standards through investing in global listed companies which make a positive impact on the world while at the same time having a low environmental footprint and operating within the environmental boundaries that support sustainable planetary thriving.

Investment strategy

The Fund considers material ESG factors throughout the investment process from the definition of the relevant Investment Universe all the way to stock picking and portfolio construction. The Fund’s ESG investment framework includes a combination of: (i) Strict ESG exclusion Policies; (ii) Monitoring of ESG controversies; (iii) ESG best in class screening on companies’ operations and business practices; (iv) Positive screening for environmental and social impact (SDG alignment and contribution); and (v) Active ESG engagement and voting.

The Manager assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from third party ESG data providers in order to satisfy itself that the relevant investee companies follow good governance practices.

¹ Please note that where the capitalised terms in this document have not been defined they can be found in the relevant Fund supplement

Proportion of investments

The Manager commits to invest a minimum proportion of 80% of the Fund's investments in sustainable investments in order to meet its sustainable investment objective. This is comprised of (i) a minimum of 30% in sustainable investments with an environmental objective (that are not aligned with the EU Taxonomy); (ii) a minimum of 10% in sustainable investments with a social objective.

Monitoring of sustainable investment objective

The sustainable investment objective of the Fund has both a social and an environmental focus, as the Fund aims to invest in companies that contribute to the SDGs while at the same time having a low environmental footprint and operating within the environmental boundaries that support sustainable planetary thriving.

Methodologies

The sustainability indicators used to measure the attainment of the Fund's sustainable investment objective are the following: (1) Social Impact; (2) Environmental Consciousness; (3) Broader ESG Best-In-Class Screening; and (4) Net Zero AuM.

Data sources and processing

The Manager shall use data sourced from internal research and, where relevant from reputable third-party ESG data providers (which are noted below).

Limitations to methodologies and data

The methodology and data used may be incomplete, inaccurate, stale, or unavailable. Where limitations are identified, mitigations and remediation activities shall be put in place and be constantly monitored. Where mitigation and remediation actions are not sufficient to integrate and/or remediate to the limitations identified in the data or methodology the investment shall be kept on hold or avoided until reasonable assurance and further information is obtained through additional research.

Due diligence

The Manager considers the principal adverse impacts of the Fund's investments on sustainability factors: (i) prior to and at the point of investment; and (ii) on an ongoing basis by monitoring the investments against any applicable mandatory and additional PAI indicators.

Engagement policies

Where the Manager is given the opportunity to exercise voting rights in relation to the positions held by the Fund, these are made in the best interests of the investors in the Fund after considering the long-term sustainability of the respective issuer.

Attainment of the sustainable investment objective

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective of the Fund.

2. No significant harm to the sustainable investment objective

In order to ensure that the sustainable investments that the Fund makes do not cause significant harm to any environmental or social sustainable objective (“DNSH Test”) the Manager (the “Manager”) assesses each investment against a set of indicators of adverse impacts (the “PAI Assessment”). The PAI Assessment utilises a range of data sources across climate and other environmental related indicators (“Environmental Indicators”) and social related indicators (“Social Indicators”).

The indicators that the Manager shall take into account are:

(1) Environmental Indicators

The following Environmental Indicators are measured by the Fund and the actions detailed below are taken in order to ensure that the DNSH Test is satisfied for sustainable investments with an environmental objective.

- **Indicator and Metric: The greenhouse gas (“GHG”) emissions of the investee companies (“PAI 1”)**: the Manager will measure the total GHG emissions of the investee company using the ‘scope 1, 2 and 3 GHG emissions’ definition prescribed by SFDR and calculated in accordance with the following formula:

$$\sum_i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope}(x) \text{ GHG emissions}_i \right)$$

- **The carbon footprint of the investee companies (“PAI 2”)**: the Manager will measure the carbon footprint of the investee company, with the carbon footprint being calculated in accordance with the following formula:

$$\frac{\sum_i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 GHG emissions}_i \right)}{\text{current value of all investments (€M)}}$$

- **The GHG intensity of the investee companies (“PAI 3”)**: the Manager will measure the GHG

intensity of investee companies with GHG intensity being calculated in accordance with the following formula:

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- **Exposure to companies active in the fossil fuel sector (“PAI 4”):** the Manager will measure the share of investments the Fund makes in companies active in fossil fuel sectors. ‘Fossil fuel sectors’ means sectors of the economy which produce, process, store or use fossil fuel as defined in Article 2(62) of Regulation (EU) 2018/1999 of the European Parliament and of the Council.
- **Share of non-renewable energy consumption and production (“PAI 5”):** the Manager will measure the investee companies’ share of non-renewable energy consumption and non-renewable energy production from non-renewable energy sources compared to renewable energy sources expressed as a percentage.
- **Energy consumption intensity per high impact climate sector (“PAI 6”):** the Manager will measure the investee companies’ energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector. ‘High impact climate sector’ means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.
- **Activities negatively affecting biodiversity-sensitive areas (“PAI 7”):** the Manager will measure the share of investments by the Fund in investee companies with sites and/or operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.
- **Emissions to water (“PAI 8”):** the Manager will measure the tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.
- **Hazardous waste ration (“PAI 9”):** the Manager will measure the tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average.
- **Investments in companies without carbon emission reduction initiatives (“PAI 10”):** the Manager will measure the share of investments in investee companies without carbon emission reduction initiatives aimed at aligned with the Paris Agreement adopted under the UN Framework Convention on Climate Change.

(2) Social Indicators

The following Social Indicators are used in order to ensure that the sustainable investments that the Fund makes do not cause significant harm to any social sustainable objective:

- **Violations of UN Global Compact (“UNGC”) principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (“PAI 11”):** The Manager will measure the share of investments the Fund makes in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for multinational enterprises.
- **Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises (“PAI 12”):** The Manager will measure the share of investments the Fund makes in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
- **Unadjusted gender pay gap (“PAI 13”):** the Manager will measure the average unadjusted gender pay gap of investee companies of the Fund.
- **Board gender diversity (“PAI 14”):** the Manager will measure the ratio of female to male board members in investee companies of the Fund.
- **Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (“PAI 15”):** the Manager will measure the share of investments the Fund makes in investee companies involved in the manufacture or selling of controversial weapons.
- **Lack of anti-corruption and anti-bribery policies (“PAI 16”):** the Manager will measure the share of investments in investee companies that do not have policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption.

If the value of a quantitative Environmental Indicator or Social Indicator is above or below a threshold set by the Manager, or if the conditions set for a qualitative Environmental Indicator or Social Indicator are not fulfilled, this would be considered significant harm for the purpose of PAIs 1 to 16, and would lead the investment being excluded, or, depending on the Environmental Indicator or Social Indicator in question, being put on a watchlist in order to assess whether progress is being made towards compliance and/or engage with the issuer. If, within a timeframe as determined by the Manager, no progress has been made, the Manager will divest, taking due account of the best interests of the Fund and its shareholders.

The Fund ensures that the sustainable investments are in undertakings which have implemented procedures to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights as assessed by one or more third party ESG data providers.

3. Sustainable investment objective of the financial product

The Fund has sustainable investment as its objective within the meaning of Article 9 of the SFDR. The sustainable investment objective of the Fund is to make a positive impact on worldwide environmental sustainability and social standards through investing in global listed companies which make a positive impact on the world (as measured by a positive contribution to one or more of the UN Sustainable Development Goals) while at the same time having a low environmental footprint and operating within the environmental boundaries that support sustainable planetary thriving. In addition to the sustainable investment objective, the Fund aims to generate positive risk-adjusted returns in the long-term.

For the avoidance of doubt, the Fund does not target sustainable investments that contribute towards the same environmental objectives as those listed in Article 9 of the Taxonomy Regulation.

The Fund has identified a set of themes ("ESG Themes") and associated sectors that offer sustainable solutions to challenges presented which such information is based on the Manager's research of legitimate and reputable sources. These are:

- (1) Theme 1 – Clean Energy and Energy Efficiency: The Fund aims to contribute to global efforts towards addressing the access to clean energy and cooking fuels by investing in companies that offer products or services that are instrumental to the green energy transitions, including but not limited to: renewables and clean energy solutions; energy efficiency products and services; energy storage solutions. This theme is closely connected to the UN Sustainable Development Goal ("SDG") of Affordable and Clean Energy ("SDG 7").
- (2) Theme 2 – Clean Water Tech and Sanitation: The Fund aims to contribute to global efforts in addressing water scarcity and inadequate sanitation by investing in companies offering products/services that enable more efficient use, consumption, or treatment of water, including but not limited to: water utilities, desalination, water pipes, and infrastructure, smart meters, and water treatment activities. This theme is closely connected to SDG of Affordable and Clean Water and Sanitation ("SDG 6").
- (3) Theme 3 – Protection of Biodiversity and Marine Resources: The Fund aims to contribute to global efforts towards addressing biodiversity loss, ocean acidification, deforestation, air pollution, species extinction and land degradation by investing in companies offering products/services with potential to reduce the threat of biodiversity loss including but not limited to: forest carbon sequestration, clean air, ocean aquaculture activities and environmental engineering. This theme is closely connected to SDG of Life on Land ("SDG 15") and Life Below Water ("SDG 14").

- (4) Theme 4 – Sustainable Agriculture and Food: The Fund aims to contribute to global efforts towards addressing ‘peak phosphorus’ (the point at which humanity reaches the maximum global production rate of phosphorus as a raw material) by investing in companies that offer products/services with the potential to increase the productivity and reduce the environmental impact of agriculture, including but not limited to: precision and vertical farming, animal health, genetic seed editing, plant-based protein/lab grown meat, sustainable food production. This theme is closely connected to SDG of Zero Hunger (“SDG 2”).
- (5) Theme 5 – Waste Disposal and Circular Economy: The Fund aims to contribute to the global efforts to transitioning to a circular economy by investing in companies that contribute to this by offering products/services that contribute to this transition by enabling increased recycling and reducing the environmental impact of waste, including but not limited to: waste management services, recycling services; waste to energy solutions, plastic reduction, paper and packaging; sustainable and/or carbon negative consumer goods. This theme is closely connected to the SDG of Responsible Consumption and Production (“SDG 12”).
- (6) Theme 6 – Health and Wellbeing: The Fund aims to contribute to global efforts towards addressing inadequate access to medicines, lack of essential health care and the increasing healthcare demands globally due to the aging population in developed countries, as well as pollution deaths, by investing in companies offering products services that can contribute to enhanced efficiency, delivery, and personalization/precision of healthcare services including but not limited to: pharma and biotech; healthcare providers, telemedicine, wellness provides, health digital technologies; digital health; life science; air quality solutions. This theme is closely connected to the SDG of Good Health and Wellbeing (“SDG 3”).
- (7) Theme 7 – Skills and Education: The Fund aims to contribute to global efforts towards addressing the challenge of a growing education deficit by investing in companies engaging in activities that have the potential to increase availability and affordability of quality education including but not limited to: mobile learning, digital skills app platforms, massive open online courses, corporate training and development, services for vocational education and employment; media services. This theme is closely connected to the SDG of Quality Education (“SDG 4”).
- (8) Theme 8 – Industry, Innovation and Digitalization: digital technologies and solutions will play a central role in the structural shift of our economy towards a more environmentally and socially sustainable model. The Fund therefore envisages to invest also in firms offering digital solutions and technologies instrumental to the themes described above, including but not limited to: IT hardware and software solutions, industrials; machinery; semiconductor capital equipment (such as semiconductors) and related equipment; electric vehicles and batteries; electrical equipment. This theme is closely connected to the SDG of Industry, Innovation and Infrastructure (“SDG 9”) and Sustainable Cities and Communities (“SDG 11”).

The Fund's Investment Universe is comprised of sectors and companies that will be central to achieving the shift to a more sustainable model of economic activity, by providing solutions to the trade-off between planetary boundaries and minimum social needs. The Fund aims to invest in companies that contribute to one or more of the ESG Themes, however investors should note that (subject to the binding criteria) an investee company may still be eligible for the Fund's portfolio despite being outside of the ESG Themes, provided the investment in such investee companies is a "sustainable investment" as defined in Article 2 (17) of SFDR.

4. Investment Strategy

To achieve its sustainable investment objective, the Fund considers material ESG factors throughout the investment process from the definition of the relevant Investment Universe all the way to stock picking and portfolio construction. The Fund's ESG investment framework includes a combination of:

- (i) Strict ESG exclusion Policies;
- (ii) Monitoring of ESG controversies
- (iii) ESG best in class screening on companies' operations and business practices
- (iv) Positive screening for environmental and social impact (SDG alignment and contribution);
- (v) Active ESG engagement and voting.

These principles are integrated, on a best-efforts basis, into the investment controls where possible and reviewed on a regular basis by the Manager. Where any of the requirements are not met, the Manager will determine how best to liquidate the position(s), if appropriate, or take action to remediate the situation through active engagement with the issuer. The Manager will abstain from investing in similar investments until the identified issue is resolved and the relevant position is no longer considered in breach of the Fund's sustainability criteria detailed above.

The binding elements of the investment strategy used to select the investments to attain the sustainable investment objective are:

(1) Positive Screenings

a. Social Impact

The Manager will measure the extent to which the activities of the investee companies of the Fund align and contribute to one or more of the SDGs.

This assessment will investigate what share of the investee company's revenues derive from activities positively contributing to one or more SDGs, while at the same time checking whether the investee company also operates any business lines potentially conflicting with the SDGs. Only companies that derive at least 20% of the enterprise value (or sales, EBIT or EBITDA) from activities that contribute positively towards one or more of the SDGs will be

eligible. The Fund will undertake this assessment through the use of SDG revenue alignment data covering approximately 18,000 companies, from an established third party ESG data providers complemented by the Manager's internal research based on public information and dialogue with the relevant company. In case any company deemed of interest is not covered by third party data, an internal assessment will be conducted to establish the degree of revenue alignment with the SDGs, based on public information and dialogue with the relevant company.

b. Environmental Consciousness

The Manager will scrutinize the environmental impact of the investee companies' operations and products, to verify that these are compatible with not overshooting environmental boundaries. This analysis will be underpinned by a collection of the environmental key performance indicators (KPIs) at investee company level. These KPIs will be used to construct an index of environmental performance, which the Manager will use to rate the sustainability of companies' operations.

c. ESG Best-In-Class

The Manager will also perform a broader ESG due diligence to establish the degree to which ESG factors are integrated in the prospective investees' business operations, managerial practices, and organizational developments. For each sector that it invests in, the Fund aims at keeping the average ESG score of companies selected as part of the portfolio above the respective average score of the sectors where the investees operate. Companies whose global ESG score falls in the bottom 15% of the relative sector's ESG scores distribution will be excluded from the Investment Universe.

(2) Exclusion Policies

The Fund is subject to the Manager's firm-level exclusion policy detailed below:

Ethical ESG Exclusions

- a. Controversial Weapons: No investments are allowed in companies that derive any revenues from , or are involved in, any activities related to controversial weapons; and/or in companies that have a significant ownership in entities excluded under this rule. No investment is allowed in debt or equity issued by the top global investors in nuclear weapons and cluster weapons as defined in the Manager's exclusion policies and procedures.
- b. Predatory Lending: No investments are allowed in companies that: (i) derive any revenues (0% threshold) from predatory lending activities; and/or (ii) have significant ownership in companies under (i).
- c. Tobacco: No investment is allowed in companies: (i) involved in, or that derive any revenues from the cultivation and production of tobacco and/or tobacco products; and/or (ii) that

derive at least 5% of revenues from supply of tobacco-related products or services; and/or (iii) that have a significant ownership in companies under (i) or (ii).

- d. Alcohol: No investment is allowed in companies that: (i) derive at least 5% of revenues from production of alcoholic beverages and related products or services; and/or (ii) have a significant ownership in companies under (i).
- e. Gambling: No investments allowed in companies that: (i) derive at least 5% of revenues from gambling operations, gambling specialized equipment and supporting products or services; and /or (ii) have a significant ownership in companies under (i).
- f. Military Contracting: No investments allowed in companies that: (i) derive at least 5% of revenues from military contracting; and /or (ii) have a significant ownership in companies under (i).
- g. Small Arms: No investments allowed in companies that: (i) derive at least 5% of revenues from production of small arms; and/or (ii) at least 10% revenues from retail and distribution of small arms; and/or (iii) have a significant ownership in companies under (i) or (ii).

Climate ESG Exclusions

- h. Thermal Coal: No investments allowed in companies that: (i) derive any revenues (0% threshold) from the exploration, mining, extraction, distribution or refining of thermal coal (including hard coal and lignite), and/or (ii) derive any revenues (0% threshold) from thermal coal power generation; and/or (iii) have a significant ownership in companies under (i) or (ii). In addition, the Fund will not knowingly invest in debt or equity issued by the top-5 equity and bondholders in coal power plant developers, nor in the banks providing the largest share of lending to coal mining. Further, the Fund will not invest in companies that are listed on the Global Coal Exit List (GCEL) as having coal power or coal mining expansion plans – regardless of the share of revenues they derive from thermal coal.
- i. Unconventional Oil and Gas: No investments in companies: (i) deriving any (0% threshold) revenues from exploration/extraction of either Tar Sands or Arctic Oil; and (ii) any company having a significant ownership in the companies excluded under (i).
- j. Conventional Oil and Gas: No investments in companies that: (i) derive any (0% threshold) revenues from the exploration or extraction of oil fuels and gaseous fuels; (ii) companies that derive more than 5% of revenues from the refining or distribution of oil fuels; (iii) companies that derive more than 10% of revenues from the refining or distribution of gaseous fuels; and/or (iv) companies that derive more than 40% of revenues from conventional oil and gas power generation.

- k. Investment in companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO₂ e/kWh: From an operational standpoint, the Manager has determined that the scope of this exclusion precludes investment in companies which derive 50% or more of their revenues from electricity generation from thermal coal, oil and gas. Accordingly, as mentioned above under points (h) and (j), the Fund will not invest in companies that: (1) derive any revenues (0% threshold) from thermal coal power generation and/or (2) companies that derive more than 40% of revenues from conventional oil and gas power generation.

Normative ESG Exclusion

UNGC and OECD: The Fund is subject to screening that evaluates the alignment of investee companies with the UNGC principles and the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises ("OECD") guidelines. The Manager's ESG research team carries out UNGC and OECD screening underpinned by data from third party ESG data providers, as well as internal research. The aim of the Manager's UNGC and OECD screening is to minimize exposure to companies with especially poor practices in key UNGC/OECD-relevant areas and identify potential issues on which to engage with companies in the portfolio. From an operational standpoint, the UNGC and OECD screening restricts investment in companies that are found in violation of UNGC principles or OECD guidelines (areas such as human rights, labour rights, non-discrimination, environment, corruption). The Manager considers a company to be in violation where it is found to be involved in persistent UNGC-related or OECD-related controversies and failing related screening applied by relevant market data providers, where the controversy is of critical severity and the company is non-reactive.

Sovereign Screening

Where relevant, the Fund is subject to screening that excludes from the Investment Universe all debt (or funding) instruments issued by sovereign entities that do not satisfy minimum criteria set by the Manager. This includes debt issued at the sub-national (municipal or state) level as the Manager considers these as part of the overall state structure.

To be eligible as an investment in the Fund, firstly sovereign entities must not be subject to international sanctions or be on the high-risk list and/or the increased monitoring list of jurisdictions compiled by the Financial Action Task Force ("FATF"). Secondly, the sovereign entity must pass a proprietary screening process developed by the Manager that combines metrics from different sources to evaluate sovereign entities. This screening process is based on data from reputable third-party data vendors and non-government organizations ("NGOs"), in addition to internal analysis. The screening process evaluates (1) a country level indicator of social and governance quality provided by NGOs; (2) the degree of long-term commitment from major multilateral organizations towards the country; and (3) a qualitative examination of a country's (i) adherence to international treaties and agreements, and (ii) its climate change exposure. At present, the Manager excludes from the investable universe

sovereign entities with a score worse than that permitted by its internal limits. Further details of the sovereign screening process can be found in Algebris' ESG Exclusion Policy (at: <https://www.algebris.com/esg/policies-and-disclosures/>).

For the avoidance of doubt, the sovereign screening only covers sovereign funding instruments – meaning that non-sovereign issuers in the country remain eligible in principle, unless they individually do not comply with the above exclusion policies and/or below positive screening.

(3) Engagement and Voting

The Manager encourages good governance and sustainable corporate practices, which contribute to long-term value creation, as detailed below in the relevant section.

Good Governance

The Manager also assesses the governance practices of investee companies through a variety of scores covering various aspects of firm-level governance, sourced from third party ESG data providers 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.

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 Manager monitors a number of governance related key performance indicators (KPIs) for the investee companies. These include:

- Sound management structures: an aggregate performance index reflecting anti-crime policies and processes; business ethics; and corporate governance structure and effectiveness.
- Employee relations: an aggregate performance index reflecting occupational health and safety; human capital development; and talent retention.
- Remuneration of staff: an aggregate performance index reflecting gender pay gap; and CEO to employee pay ratio.
- Tax compliance: an aggregate performance index reflecting tax strategy and governance; effective tax rate; and tax reporting.

Data for assessing the elements above is sourced from third party ESG data providers and internal research. The investment team of the Manager may also engage with investee companies about

specific governance-related issues – such as news items and/or the emergence of governance-related controversies.

5. Proportion of investment

The Manager commits to invest a minimum proportion of 80% of the Fund's investments in sustainable investments in order to meet its sustainable investment objective.

This is comprised of (i) a minimum of 30% in sustainable investments with an environmental objective (that are not aligned with the EU Taxonomy); (ii) a minimum of 10% in sustainable investments with a social objective; and (iii) the remaining 40% will be allocated between other environmental and/or social sustainable investments but with no fixed allocation as this will depend on the availability of sustainable investments and the fact that some investments contribute to both environmental and social objectives.

The remaining 20% of investments will be in investments which are used for the purpose of hedging and cash held as ancillary liquidity. Further details on the purpose of such investments are set out below.

The Fund does not invest in the EU Taxonomy aligned fossil gas and/or nuclear energy related activities, as defined in Commission Delegated Regulation (EU) 2022/1214.

6. Monitoring of sustainable investment objective

The Manager monitors the sustainable investment objective and the sustainability indicators used to measure the attainment of the sustainable investment objective throughout the lifecycle of the financial product on an ongoing basis through controls coded into Algebris' internal automated controls system, which include fully integrated pre- and post-trade controls that implement and safeguard the exclusion lists described in this disclosure. Breaches are communicated systematically to the relevant teams via automated e-mail notification and are escalated to relevant boards and committees of the Algebris group, as appropriate.

7. Methodologies

The sustainable investment objective of the Fund has both a social and an environmental focus, as the Fund aims to invest in companies that contribute to the SDGs while at the same time having a low environmental footprint and operating within the environmental boundaries that support sustainable planetary thriving.

The sustainability indicators used to measure the attainment of the Fund's sustainable investment objective are the following:

(1) Social Impact

- (i) Portfolio Level: Only companies that derive at least 20% of the enterprise value (or sales, EBIT or EBITDA) from activities that contribute positively towards one or more of the SDGs are eligible to be in the Fund's portfolio. At a portfolio level, the sustainability indicator that will be used to measure attainment of this component of the sustainable investment objective is the aggregate alignment to the SDGs related to the eight ESG Themes. This will be measured by calculating the average of the portfolio companies' revenue alignment to each SDG weighted by the amount invested.
- (ii) Individual ESG Themes: At the level of each individual ESG Theme, the reference sustainability indicator will be the share of investments in companies deriving at least 20% of their enterprise value (or sales, EBIT, or EBITDA) from activities aligned with each of the SDGs listed in the relevant ESG Theme above.

(2) Environmental Consciousness

- (i) Planetary Boundaries

The Manager will scrutinize the environmental impact of the investee companies' operations and products, to verify that these do not overshoot the planetary boundaries framework identified by the Manager (the "Planetary Framework").

The Planetary Framework identifies limits for resources used and emissions per unit of economic value creation (the "Economic Intensities") that can be used to evaluate a company's operation against five planetary boundaries (climate change; ocean acidification; ozone depletion; nutrients and organic pollutants; and freshwater use) (each a Boundary and together the Boundaries).

Using environmental data sourced from third party ESG data providers and internal research, the Manager assesses companies' economic intensity against each Boundary's threshold and if a company's economic intensity exceeds one of the Thresholds this will be flagged as "overshooting" the Planetary Boundaries (the "Overshoot").

Performance over the five Boundaries is aggregate for each company into a proprietary index, and companies that Overshoot on more than two Boundary thresholds will be considered as 'failing' the Planetary Boundaries screening.

- (ii) Science Based Emission Reduction Target and other targets

When assessing compliance with the Climate Change Boundary, the Manager also take into account whether the company has set a science-based emission reduction target ("SBT") and/or other relevant environmental targets.

Companies that are found to Overshoot, but that have set a SBT are considered as not overshooting the relevant Boundary(ies).

The reference sustainability indicators that will be used to measure attainment of this component of the sustainable investment objective are:

- (A) the share invested in companies Overshooting respectively 0, 1, 2, or more than 2 Boundaries; and
- (B) the share invested in companies with approved SBT and/or with explicit commitments to set a Science Based emission reduction Targets.
- (C) the share invested in companies with other environmental targets relevant to the Planetary Boundaries framework (e.g. pollution reduction targets, or water usage reduction targets)

A company that fails the Planetary Boundaries screening will not automatically be excluded from the Fund provided the Manager deems there to be potential for remediation through enhanced engagement activities with the company. The Manager in any event will aim to keep the share of 'failing' companies in the Fund's portfolio to a minimum.

(3) Broader ESG Best-In-Class Screening

The Manager will also perform a broader ESG due diligence to establish the degree to which ESG factors are integrated in the prospective investees' business operations, managerial practices, and organizational developments. For each sector that it invests in, the Fund aims at keeping the average ESG score of companies selected as part of the portfolio above the respective average score of the sectors where the investees operate. Companies exhibiting a global ESG score in the bottom 15% of the relative sector's ESG scores distribution will be excluded from the Investment Universe (ESG Best-in-Class).

The reference sustainability indicators that will be used to measure the attainment of this component of the Sustainable investment objective are: (1) the share invested in companies exhibiting ESG scores in the bottom 15% of the respective sector; (2) the average ESG score (and E, S, and G pillar scores) of the portfolio compared to the same metrics for the universe.

In limited and rare occasions, exemptions to the general rules outlined above might be considered in accordance with the Manager's ESG exemption policy which is included in its ESG exclusion policy.

(4) Net Zero AuM

The Manager is a signatory of the Net Zero Asset Managers Initiative ("NZAM") and has set an initial target of 57% of its total AuM to be managed in line with attaining net zero emissions by 2050 or sooner (the "Initial Target") which will be reviewed at least every five years. The Fund is part of the Manager's Initial Target and will in accordance with NZAM:

- set an interim decarbonization target for 2030 consistent with a fair share of 50% global reduction in CO₂ identified as a requirement in the Intergovernmental Panel on Climate Change ("IPCC") special report on global warming of 1.5°C. This target will be set using one of the following methodologies: (1) the Paris Aligned Investment Initiative Net Zero

Investment Framework; (2) the Science Based Targets Initiative for Financial Institutions; or (3) the Net Zero Asset Owner Alliance Target Setting Protocol.

- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which the Fund invests.

8. Data sources and processing

The Manager shall use data sourced from internal research and, where relevant from reputable third-party ESG data providers.

Where third-party ESG data providers are utilised, the Manager selects the strongest data providers for ESG data for each category of information, rather than going for a simple ‘one-stop-shop’ solution. This ensures a diversified package of ESG data from multiple providers where coverage and quality is best in relation to the Investment Universe of the Fund is available. The Manager performs an annual review of the ESG data suite and of alternative/new available products on the market to ensure that the Manager continues to have the best available quality of ESG data.

The current list of third-party ESG data providers used are included in the table below.

Data Provider	Service
S&P	ESG scores ; Questionnaire-level ESG KPIs ; S&P Global Product Involvement Controversy and Questionnaire; Environmental metrics and priced externalities; Carbon data in line with GHG protocol standards; Environmental Climate Risk Models: 2 Degree Alignment; Carbon Earnings at Risk; Physical Risk. ; SFDR metrics Positive Impact: SDGs
Sustainalytics	Product Involvement data and research; Controversies; Global Standard Screening
MSCI	Global Norms Screening; Controversies Alerts
Clarity AI	ESG Risk, Exposures, Climate, ESG Impact, UN SDGs, SFDR metrics, EU Taxonomy
Bloomberg	ESG screener and various other sustainability indicators
Autonomous	Data on banks’ green financing
CDP	Data from the Carbon Disclosure Project (CDP) annual questionnaire on companies targets and actions
Banktrack/Rainforest Action Network	Annual RAN Report on banks’ financing and exposure to fossil fuel companies
Urgeworld	Global Coal Exit List and, Global Oil and Gas Exit List
Reclaim Finance	Coal Policy Tool and Oil and Gas Policy Tracker

9. Limitations to methodologies and data

The methodology and data used may be incomplete, inaccurate, stale, or unavailable, which can result in the incorrect asset evaluation or in an unnecessary limitation to the investment strategy. Risk linked to third party providers shall be mitigated through additional internal research and assessments. Where limitations are identified, mitigations and remediation activities shall be put in place and be constantly monitored. Where mitigation and remediation actions are not sufficient to integrate and/or remediate to the limitations identified in the data or methodology the investment shall be kept on hold or avoided until reasonable assurance and further information is obtained through additional research.

10. Due diligence

The Manager considers the principal adverse impacts (PAI) of the Fund's investments on sustainability factors: (i) prior to and at the point of investment, by conducting (to the extent possible) due diligence on any proposed investments, with at a minimum the application of ESG exclusion policies; and (ii) on an ongoing basis by monitoring the investments against any applicable mandatory and additional PAI indicators. More information is available in the periodic reporting pursuant to Article 11(2) of the SFDR.

11. Engagement policies

The Manager encourages good governance and sustainable corporate practices, which contribute to long-term value creation. The Manager's Proxy Voting Policy and Shareholder Engagement Policy set the principals to be applied for determining when and how any voting rights held in respect of investments are exercised.

The Manager is a supporter of the Say on Climate Initiative – Shareholder Voting on Climate Transition Action Plans (a shareholder voting initiative to encourage companies to publish annual disclosures of emissions and to adopt a plan to manage these emissions) ("Say on Climate"). Where companies will not do so voluntarily, the Manager has formally stated in its voting policy that it will vote for and/or file annual general meeting (AGM) resolutions (whenever it has voting rights, and sufficient votes) requiring such a vote that furthers the aims of Say on Climate.

12. Attainment of the sustainable investment objective

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective of the Fund.

As explained in details above, the Manager ensures a continued effort of attaining the objective of reducing carbon emissions through different initiatives and strategies, including being a signatory of the Net Zero Asset Managers Initiative ("NZAM") which has set an initial target of 57% of its total AuM to be managed in line with attaining net zero emissions by 2050 or sooner (the "Initial Target") and which will be reviewed at least every five years. The Fund is part of such Manager's Initial Target and will act in accordance with the NZAM.



Dated: February 2025