Memorandum on Investments Sustainability

Patria Finance

1. DEFINITION OF ESG

"ESG" is an abbreviation of three English terms describing the three key areas of a responsible investments policy – Environmental, Social a Governance. Responsible investing may be defined as a general term describing investments which have due regard for the long-term influence of the given investment on the population, on the environment and on the health of the society.

- "E" (Environmental) stands for a criterion which examines the impacts of companies on the environment. It covers, inter alia, the companies' ability to process waste, or the degree to which companies utilise and integrate regional resources.
- An analysis using "S" (Social) social criteria means that companies are based on ethics, due respect for their employees and support for the health and safety of their employees and clients.
- "G" (Governance) deals primarily with the criteria of a responsible management of a company. It focuses on factors such as managers' fees, diversity within the management body and independence of managers, anti-corruption matters, or tax policy.

2. GENERAL SUSTAINABILITY POLICY AND TRADING REGIMES

Patria Finance makes transactions with investment products within the following regimes:

- Execution
- Execution-only
- Investment advice

The **Execution** and **Execution-only** regimes defer the assessment of the ESG criterion to the client. The process of investment decision-making factors in criteria such as the company's financial soundness, its business strategy, analytical outlook, capitalisation of the investment potential and others. Whether or not the risks associated with ESG issues will be included among the relevant criteria entering the client's decision-making process in relation to investments, is at the client's sole discretion.

In Patria Finance, ESG issues and sustainability of investments are relevant only with respect to **Investment advice.** For more information concerning the service of investment advice, please consult Principles of providing investment advisory.

3. TEMPORAL ASPECT OF SUSTAINABILITY RISKS

Short-term horizon

From a short-term perspective, the sustainability risk usually means the risk of a negative event. Such a risk normally affects the returns of the investment only if the event actually occurs. Such events include accidents (resulting in litigation, for instance claims for a compensation for environmental damage), court disputes and penalties (e.g. for non-compliance with laws regulating social issues), or scandals (such as a negative publicity of the company associated with infringements of human rights throughout the supply chain).

Long-term horizon

From a long-term perspective, sustainability risks mean risks which may undergo a long-term development. Such risks include business activities subject to a certain pressure in consequence of climate changes (for instance, parts of the automotive industry), clients' changing product preferences (such as a greater preference for more sustainable products), difficulties with recruitment of employees, higher costs etc. Considering the fact that the development of this risk is a long-term process, companies may take steps to mitigate the risk, for instance by changing their product range, improving their supply chains, etc.

4. NO CONSIDERATION OF ADVERSE IMPACTS

Sustainability risks in investing are provided for in 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. The market is currently at the stage of exploring the new legislation; consequently, Patria Finance does not presently include in its procedures any assessment of adverse sustainability impacts under this Regulation. Patria Finance will be capable of considering the sustainability risks primarily if it has the opportunity to analyse data supplied by issuers of the individual products which would confirm their approach to ESG and sustainability issues. Regular market monitoring will enable Patria Finance to update the information in that document and have due regard for new facts and circumstances when providing its services. Assessment of the risk of adverse sustainability impacts is a priority for Patria Finance as well as the CSOB Group.

5. REMUNERATION POLICY

Patria Finance does not incorporate the ESG principles in the process of motivating Patria's employees. The remuneration policy of Patria Finance is governed by the principle of fair play. Employees are motivated to provide to Patria's clients, at all times, only top-quality investment services that duly factor in the client's investment preferences, the client's target market, approach to risk and investment profile, as well as other criteria and characteristics.

Conversely, responsible conduct and sustainability, including climate issues and responsible management, are objectives of crucial importance for the top management of Patria Finance.

6. INTEGRATION OF INVESTMENT SUSTAINABILITY RISKS IN INVESTMENT ADVICE

Patria does not have regard to the sustainability principles in the process of choosing the investment strategy for a particular client but monitors the developments and trends in sustainable products and any related sustainability risks. Clients will be informed of any sustainability procedures implemented by Patria Finance at the company's website.

7. IMPACTS OF SUSTAINABILITY RISKS ON THE RETURNS OF FINANCIAL PRODUCTS

The returns of a financial product may be adversely affected by risk factors, such as environmental or social events (an accidental pollution of the environment, insufficient respect for human rights and the negative publicity that such failure entails; for more details, see Chapter 3 – TEMPORAL ASPECT OF SUSTAINABILITY RISKS). If such risks materialise, they may have adverse impacts on the resultant performance of the chosen investment product.