

Sustainability-related disclosures

Aeronautics Fund, Sub-Fund A (the “Fund”)

Legal entity identifier: 9845009399P8409Q7317

Updated on 03.03.2023

The disclosures below may be amended in accordance with the purpose of providing investors with accurate, fair, clear, not misleading, simple and concise information.

Summary:

This Fund promotes the transition to a circular economy through the prolongation of the use of aeronautic products. The Fund promotes certain ESG characteristics (i.e., Environmental, Social and corporate Governance) following Article 8 of the sustainable finance disclosure regulation (the “SFDR”) and sustainability risks are integrated in the investment process. The Fund contributes substantially to the prolongation of the use of aeronautic products, including through reuse, reparability, upgradability, design for longevity, repurposing, disassembly, remanufacturing, upgrades and repair, and sharing products that improve aircraft decommissioning practices. The Fund will rely on (1) the guidelines of the recycling best management practices for the management of used aircraft parts and assemblies on disassembly and recycling updated from time to time (“BMPs”) and the minimum standards in the aircraft decommissioning activities, both implemented by the Aircraft Fleet Recycling Association (AFRA) to pursue its activity in the respect of good practice, (2) the EU and US sanction lists, (3) the Cape Town Convention on International Interests in Mobile Equipment and (4) the OECD Guidelines for Multinational Enterprises .6 recommendation on the Environment, to effectively monitor its activities. The Fund makes sure that the assets are fully recycled (taking into consideration that only 90% of an aircraft can be recycled, the other 10% representing some specific aircraft or engine parts that cannot be recycled because of their nature or material used). The Fund will have a minimum proportion of 90 % of sustainable investments with an environmental objective sustainable under the EU Taxonomy (i.e. the transition to a circular economy). The Fund and its investment manager are members of the AFRA. No index has been designated for the Fund as a reference benchmark in order to measure the attainment of each of the environmental or social characteristics it promotes. The Fund does not take into account principal adverse impacts of investment decisions on sustainability factors. The Fund only purchases tangible sustainable assets such as aircraft and aircraft engines and does not invest directly in “entities” therefore removing any direct “investee” risk.

NO SUSTAINABLE INVESTMENT OBJECTIVE:

The Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The Fund promotes substantially the transition to a circular economy since the underlying investments of the Fund are *inter alia* economic activities that qualify as environmentally sustainable pursuing the transition to a circular economy as they prolong the use of products, including through reuse, design for longevity, repurposing, disassembly, remanufacturing, upgrades and repair, and sharing products. The Fund activities also contribute to economic, environmental and social progress to achieve sustainable development as set out in the general policy

of the OECD Guidelines for Multinational Enterprises. The Fund seeks to improve the corporate environmental product at the level of the Fund and in the long term as requested in Point 6 of the Environment part of the OECD Guidelines for Multinational Enterprises. As the Fund does not take into account principal adverse impacts of investment decisions on sustainability factors (Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters), this financial product is not compliant with the UN Guiding Principles on Business and Human Rights.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT:

The Fund promotes certain ESG characteristics (i.e., Environmental, Social and corporate Governance) following Article 8 of the SFDR and promotes and sustainability risks are integrated in the investment process.

INVESTMENT STRATEGY:

Sub-Fund A's investment strategy is to achieve returns through the purchase of commercial aircraft and/or airframes and/or engines, and/or spare parts, the repair, the lease and/or the sale of these assets worldwide. The Fund contributes substantially to the prolongation of the use of aeronautic products, including through reuse, reparability, upgradability, design for longevity, repurposing, disassembly, remanufacturing, upgrades and repair, and sharing products that improve aircraft decommissioning practice. The Fund will rely on the guidelines of the recycling best management practices for the management of used aircraft parts and assemblies on disassembly and recycling updated from time to time ("**BMPs**"), implemented by the Aircraft Fleet Recycling Association (AFRA) to pursue its activity in the respect of good practice. The Fund will be a cargo and passenger aircraft and engine lessor, active in countries which are not under sanctions according to EU and US lists and the preferred locations regarding the leasing of the assets are countries which have signed the Cape Town Convention on International Interests in Mobile Equipment. In 2016, ICAO, the International Civil Aviation Organization, adopted the Carbon Offset and Reduction Scheme for International Aviation (CORSIA) and as such the Fund's lessees (airlines leasing an aircraft or engine from the Fund) shall normally comply with this worldwide resolution on international flights. In 2016 also, the Paris Agreement, within the United Nations Framework Convention on Climate Change was signed by the representatives of 196 states paving the way for stricter rules regarding the reduction of carbon emissions from aviation and particularly for national flights and as such the Fund's lessees (airlines leasing an aircraft or engine from the Fund) will have to comply with this worldwide resolution. There is no policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance, as the Fund does not invest in investee companies. The Fund only purchases tangible sustainable assets such as aircraft and aircraft engines and does not invest directly in "entities" therefore removing any direct "investee" risk.

PROPORTION OF INVESTMENTS:

The Fund promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 90 % of sustainable investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy (i.e the transition to circular economy). The Fund tries to give as much value as possible to its assets and makes sure that

the assets are fully recycled (taking into consideration that only 90 % of an aircraft can be recycled, the other 10 % representing aircraft parts cannot be recycled e.g plastic that cannot be reused.) The Fund only purchases tangible sustainable assets such as aircraft and aircraft engines and does not invest directly in “entities” therefore removing any direct “investee” risk. The Fund’s exposure is indirectly linked to the manufacturers of the said assets purchased.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS:

The Sub-Fund A is committed to act and to report on a yearly basis on its efforts to contribute to the United Nations Sustainable Development Goals (SDGs), particularly SDG 13: “Take urgent action to combat climate change and its impacts” by working closely with its clients in this perspective by offering them help in monitoring, reducing and offsetting when possible their CO2 emissions whilst leasing and operating its aircraft and engines.

METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS:

The Sub-Fund A exerts the following sustainability indicators to measure the attainment of the transition to a circular economy:

- Compliance with the minimum standards, implemented by the Aircraft Fleet Recycling Association (AFRA);
- Complying with the BMPs guidelines implemented by the AFRA;
- Following the OECD Guidelines for Multinational Enterprises .6 recommendation on the Environment; and
- Verifying that the country in which the Fund wants to lease its assets is not under sanctions according to EU and US lists.

DATA SOURCES AND PROCESSING:

a) What are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?

The Sub-Fund A uses a range of different internal and external data sources and data providers to ensure that the fund is invested in accordance with the environmental and/or social characteristics promoted. Data received from external providers may be complemented by internal research and analysis provided by our investment.

b) What are the measures taken to ensure data quality?

We apply various measures to control the quality of the external and internal data sets used. This may include internal control measures commonly used in computer programming such as:

- Quality assurance test whereby controls are made to check that the external data values are in the expected range and behave as intended;
- Unit testing whereby individual data and functions created to generate insights or transform said data are tested to determine if they are fit for use and produce the expected output;

- Four-eyes review of any code changes by our specialists;
- Segregation of duties whereby there is a separation of responsibilities of key processes between ^{IT} more than one person, based on their area of expertise;
- Segregation of IT environments that protects the integrity and availability of the environment producing the data and allows for testing of new data in terms of quality and robustness before it is used in a production environment;
- Sanity test whereby the functionality and output of the system is tested to ensure that it works as expected;
- Review of the data and insights generated by said data by our analysts/specialists; and
- Furthermore, to the extent possible, data reported by companies, regulatory authorities and/or non-governmental organisations are prioritised over data from data providers' estimation models. This is done in order to minimize the reliance on third party estimation efforts which in turns improves the overall quality of the data we use as input in our investment processes. The external data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes.

c) How is data processed?

As described above, the data used partly derives from external data providers that provide raw data on issuer level. company data possible. The external data received is enriched with additional external data sets, it may be complemented by in-house staff.

d) What proportion of data is estimated?

Although we prioritise reported data over estimated data, we do rely to some extent on estimations and on estimated data provided by our external data providers where reported data is not available or of adequate quality.

LIMITATIONS TO METHODOLOGIES AND DATA:

a) Are there any limitations to the methodologies and data sources used?

The fact that some proportion of the data received from external data providers may be estimated data, may be seen as a limitation to the methodologies and data sources.

Information is mainly based on historical data and may not reflect the future ESG performance or risks of the investments.

b) How do those limitations not affect how the environmental or social characteristics promoted by the financial product are met?

To mitigate the limitations to data sources, we have ensured to have solid due diligence measures in place in relation to external data providers. Manual verification processes are another mitigating factor.

We evaluate the quality of internal and external data on an ongoing basis, and continuously assess if new data providers can improve the analysis and models.

DUE DILIGENCE:

Description of the due diligence carried out on the underlying assets of the fund, including the internal and external controls on that due diligence:

The Fund conducts due diligence reviews of all internal and external data on an ongoing basis, and continuously assesses if new data providers can improve the analysis and models.

When it comes to calculation of any potential alignment with the EU Taxonomy, we strive to source data directly from the manufacturers of the assets we purchase: CFM, Boeing or Airbus but as self-reported data remains scarce, this may be supplemented with data sourced from third party providers. ESG data in general is continually maturing and the data coverage is improving. AFD is constantly searching the market for the data which adheres to EU regulation requirements and can be used to provide our clients with necessary reports on the products' ESG profiles.

ENGAGEMENT POLICIES:

Description of the engagement policies implemented where engagement is part of the environmental or social investment strategy including any management procedures applicable to sustainability-related controversies:

The assets of the Fund are manufactured by either CFM, Airbus or Boeing and we expect these companies to comply with internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency such as the UN Global Compact and OECD Guidelines for Multinational Enterprises. In the areas of climate change and biodiversity, we expect these companies to make sufficient progress as recommended or imposed by ICAO.

We meet with managers of Airbus, Boeing and CFM on a regular basis during Aviation Conferences and constructive dialogue is in place to discuss how they manage ESG risks and opportunities, as well as stakeholder impact. Although this type of engagement is not directly related to the environmental or social investment strategy of the fund, it can be that adverse sustainability impacts are addressed during dialogues.

NO CONSIDERATION OF ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS:

The AIFM and the Investment Manager of the Fund do not consider principal adverse impacts at Fund level but the Investment Manager continues to review and consider its obligations with respect to whether it considers principal adverse impacts of investment decisions on sustainability factors as set out in Article 4 of SFDR. The main reason for not considering them at the Fund's level is the evolving legislation and the lack of technical standards regarding sustainable finance in the aviation sector at this stage, preventing an adequate assessment of the principal adverse

impacts given the circular economy investments of the Fund in spare parts. Also, the Fund does not consider any principal adverse impacts of its investment decisions on sustainability factors because of the unavailability of the necessary mechanism to be able to monitor the principal adverse impact in relation to circular economy/aviation given the investment policy of the Fund.