

## ADEPA ESG Investment and Sustainability Risk Policy

Phase	Owner	Date
Review	Investment Management Department	26.04.2021
<b>Final Approval</b>	<b>Conducting Officers Committee</b>	<b>5.05.2021</b>
Next Review		December 2021

## 1. Regulatory and legal framework

This document is built in accordance with:

- i. Adepa Asset Management SA (“**Adepa**” or the “**AIFM**” or the “**Company**”) is an alternative investment fund manager licensed to trade under the law of 12 July 2013, as amended, implementing the Alternative Investment Fund Manager Directive 2011/61/EU (“**AIFMD Level I**”) in Luxembourg.
- ii. Commission Delegated Regulation (EU) no. 231/2013 (“**AIFMD Level II**”) supplements AIFMD Level I with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.
- iii. Articles 18 from the AIFMD Level II measures provides guidance with regard to the level of due diligence requirements the AIFM must implement when selecting and monitoring investments.
- iv. Law of 17 December 2010 relating to undertakings for collective investment, as amended, transposing, among others, Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2014/91/EU amending Directive 2009/65/EC (“**Adepa**” or the “**Management Company**”).
- v. Circular CSSF 18/698 with defining the organization of the portfolio management function for investment fund managers incorporated under Luxembourg law.
- vi. The sustainable finance disclosure regulation (EU) 2019/2088 (“**SFDR**”)
- vii. The taxonomy regulation (EU) 2020/852 amending the SFDR and providing rules on the classification of environmental, social and governance investment (“**ESG**”)

## 2. Scope

This ESG investment and sustainability risk policy is prepared in order to explain the approach of Adepa with regard to the implementation of ESG criteria and the integration of sustainability risk within our day-to-day work. For Adepa, the integration of ESG considerations into our processes is a part of our responsibility towards our stakeholders, delegates, investors and employees. This policy describes how sustainability risks are implemented in the management of the company and in the entire investment management processes. Adepa has collective investment schemes (“**UCITS**”) and alternative investment funds (“**AIFs**”) under management which are taking sustainability risk into consideration into their investment decision process. We believe that the integration of these factors has an impact on financial performance and on risk mitigation. However, Adepa also has UCITS and AIFs under management which do not integrate sustainability risks into their investment decision. Whether sustainability risks are integrated or not in the investment decision process and, if applicable, the manner in which such integration is made, is described at the relevant prospectus or placement memorandum of each investment fund.

### 3. ESG Approach

Our ESG research process is based on our assessment of the impact of the offering and services and the processes and procedures to achieve this. We integrate ESG criteria into our internal organisation and, where appropriate and as disclosed in the relevant prospectus, in the investment process when we act as Investment Manager. When Adepa is delegating the portfolio management, we take into account the integration of sustainability risks into the investment decision process when established by the delegated portfolio manager. Sustainability risk is taken as well in the entire Risk Management process into consideration, where appropriate.

The process is strongly led by three cornerstones, the (“**PEC-process**”):

**Prevention:** for Adepa, prevention is the first step to avoid collaboration and investments that are not in line with our principles and values. With regard to investments, Adepa is excluding those mentioned in our blacklist from our investment universe.

**Exploration:** Adepa is identifying ESG impact throughout the entire portfolio under management.

**Communication:** Adepa is sharing with our stakeholders, delegates and investors the results of our exploration and support them in following to further improve ESG relevant behaviour.

Adepa regularly reviews its policies to ensure that they address new and emerging risks as well as stakeholder concerns. We continue to engage with customers and stakeholders so we can improve our policies and the way they are implemented.

#### 3.1. ESG in the investment decision process

Adepa is a Management Company with an flexible model which allows it to delegate the portfolio management of UCITS and AIFs or, instead, perform such activity in house. If portfolio management is not delegated, Adepa may opt to have recourse to dedicated investment advisors.

##### 3.1.1. Delegation of Portfolio Management function

The Portfolio Manager’s mandate is defined as the portfolio management of the UCITS respectively AIFs assets, in essence the active management of the investments and the ongoing monitoring and adjusting of investments in line with the specific investment objective and policy of each of the UCITS and AIFs as stated in the relevant prospectus. The delegation also includes the pre trade assessment.

Adepa is continuously monitoring its delegates. Adepa implements controls which allow to access the data documenting the monitoring of the activities performed by the portfolio manager. For this purpose, Adepa receives all relevant data, reports and information from the portfolio manager. The frequency and the details of the reports is determined by the risk of the activity delegated and of the delegate. Furthermore, Adepa is performing an ongoing post trade portfolio assessment.

For UCITS and AIFs applying an ESG standard (Art. 6, Art. 8 or Art. 9), Adepa is as well monitoring the compliance with regard to the relevant sustainability criteria disclosed in the prospectus.

### 3.1.2. Adepa acts as portfolio manager with the involvement of an external investment advisor.

Adepa as portfolio manager has the final responsibility of the management of the portfolio and of the execution by its own means. For that purpose, it has implemented the necessary technical and human infrastructure as well as a control framework. In the scope of this activity, Adepa on behalf of a UCITS or AIF can appoint an investment advisor in order to receive advice from it concerning all matters relating to the investment objectives and policies and management of the UCITS or the AIF and all other investment matters which may reasonably be requested.

However, Adepa, being fully responsible of the activity as indicated previously, decides at its own discretion the execution or not of such recommendations coming from the investment advisor and, therefore, Adepa will make sure that ESG and sustainability risks are taken into consideration into the investment process in accordance with this policy and the prospectus.

## 4. ESG Investment policy implementation

When developing new investment opportunities, Adepa incorporates, where appropriate, ESG aspects during the investment life cycle and actively supports portfolio managers to take into account ESG criteria in their portfolio management process by analysing the weight of ESG compliant securities and assets in accordance with this policy and the relevant prospectus.

Accordingly, Adepa applies, where appropriate, both quantitative and qualitative due diligence including potential risks, opportunities and impact of respective issues in our analysis.

### 4.1 Regular portfolio screening

The Taxonomy Regulation was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It establishes the framework for the EU taxonomy by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable.

The Taxonomy Regulation establishes six environmental objectives

1. Climate change mitigation

2. Climate change adaptation

3. The sustainable use and protection of water and marine resources

4. The transition to a circular economy

5. Pollution prevention and control

6. The protection and restoration of biodiversity and ecosystems

Adepa is periodically monitoring the portfolios under management by filtering non-ESG investments and determining any sustainability risk for a portfolio.

## **5. Voting rights policy**

Adepa performs an active voting rights policy including proxy voting which is organized in the separate active ownership policy covering voting and engagement.

Furthermore, ADEPA is ensuring:

- That the exercise of the voting rights is in accordance with the investment objectives and policies relevant in an ESG context.
- That it prevents and manages any potential conflict of interest arising from shareholders exercising their voting rights.
- That the instruction of the voting rights is done after all the necessary due diligence has been performed.

## **6. Sustainability risk**

Adepa has applied the ESG approach within its risk management by implementing the sustainability risk in our risk management policy. Sustainability risks are considered in the risk profiles of UCITS and AIFs which have integrated the ESG approach within their investment objectives of the UCITS and AIFs under management.

Furthermore, the sustainability risk is part of the reporting of the Risk Management Function to the Management and Board of Directors of Adepa.

## **7. Principal adverse impacts on investment decisions**

The consideration and measurement of adverse impacts of investment decisions on sustainability factors is not intended for the time being due to the size of the Company, in accordance with article 4.3 of SFDR, and the nature or the structure of investments or of the funds under management.

Consideration of principal adverse impacts of investment decisions on sustainability factors may be considered in the future for certain funds, in which case this Policy would be updated.