ADEPA
ASSET MANAGEMENT

ESG Investment and

Sustainability Risk Policy

Phase	Owner	Date
Review	Investment Management Department	March 2023
Final Approval	Board of Directors	15.03.2023
Next Review		Before March 2024

Contents

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

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**”)

viii. Joint Regulatory Technical Standards on ESG disclosure standards for financial market participants.

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 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. Adepa has collective investment schemes (“**UCITS**”) and alternative investment funds (“**AIFs**”) under management which are taking sustainability risk into consideration.
Adepa also has UCITS and AIFs under management which do not integrate sustainability risks into their investment decision process. 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. 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.

3.1 ESG in the investment decision process

Adepa is a investment fund manager 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.

The investment decision processes vary from fund to fund under management due to the nature of the Company being a third-party management company/AIFM and the portfolio management function being delegated for some funds under management. Therefore, no exhaustive description of the integration of sustainability risks in the investment decision process is provided herein but is defined for every fund and sub-fund individually. In principle and depending on the structure, investment strategy and portfolio composition of the respective fund and sub-fund, the Company believes that the integration of sustainability risks in the investment decision process may help to enhance long term risk-adjusted returns for investors.

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.

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. 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

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, if Adepa is acting as Investment Manager.

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.

- it prevents and manages any potential conflict of interest arising from shareholders exercising their voting rights.

- the instruction of the voting rights is done after all the necessary due diligence has been performed.

6. Sustainability Risk

Sustainability risk is defined as an environmental, social, or governance event or condition that, if it occurs, could potentially or actually cause a material negative impact on the value of a Sub-Fund's investment. Sustainability risks can either represent risks of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks. If a fund/sub-fund follows an investment strategy that includes requirements with respect to ESG criteria for sustainable financial instruments, the ESG criteria will significantly reduce the number and categories of target investments available for selection (screening against an exclusion list). This could cause a sub-fund that has requirements with respect to ESG criteria for sustainable financial instruments to underperform a sub-fund that does not have requirements with respect to ESG criteria for sustainable financial instruments. By observing requirements with respect to ESG criteria for sustainable financial instruments, the investment strategy could cause the sub-fund to invest in securities sectors or economic sectors that underperform the market as a whole or individual investment funds that do not have requirements with respect to ESG criteria for sustainable financial instruments. 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.