

# Engelwood Asset Management S.A

## Sustainability Risk Policy

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### Document history

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## 1. ABOUT THIS DOCUMENT

### 1.1. PURPOSE OF THE POLICY

Engelwood Asset Management S.A. (the “**Company**” or “**EAM**”) is an alternative investment fund manager authorised by the Luxembourg regulator of the financial sector (Commission de Surveillance du Secteur Financier; “**CSSF**”) in Luxembourg under Article 5 of Law of 12 July 2013 relating to AIFMs providing in addition to the activities referred to Annex I, services covered by Article 5 (4) of the aforementioned law (“**AIFM Law**”). In addition to the activity of portfolio management, its scope of authorisation also includes the provision of discretionary portfolio management services to retail and professional clients.

Within the scope of its regulatory authorization, EAM provides AIFM services to a range of alternative investments funds (“**AIFs**”).

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**”) requires financial market participants to disclose information on the integration of sustainability risks in their investment decision-making process.

Furthermore, per Article 3 of SFDR, financial market participants are required to “publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.”

As per SFDR, EAM is defined as a “financial market participant”.

As defined by SFDR, sustainability risk is an environmental, social or governance (“**ESG**”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

In accordance with SFDR, EAM identifies and analyses sustainability risks as part of its risk management process and classifies the AIFs assets according to specific ESG criteria.

EAM acknowledges the impacts which sustainability risks may impose on the AIFs it manages and the assets held by the AIFs and therefore considers the integrated approach outlined in this policy as strengthening its fiduciary duties towards the investors of the managed AIFs.

This policy was developed in line with and to comply with the requirements set by Article 3 of SFDR.

## 1.2. DEFINITIONS

Abbreviation	Definition
AIF	Any alternative investment fund managed by the AIFM or a sub-fund thereof
AIFM	Alternative Investment Fund Manager
AIFM Law	Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended
Board of Directors	The board of Directors of the AIFM
EAM, the AIFM or AIFM	Engelwood Asset Management S.A.
Client	Any legal or natural person which has appointed the AIFM as discretionary portfolio manager
Compliance Officer	The compliance officer of the Company
Conducting Officer	Persons who effectively conduct the business of Company within the meaning of Article 102(1)(c) of the 2010 Law and Article 7(1)(c) of the 2013 Law
CSSF	The Luxembourg regulator of the financial sector (Commission de Surveillance du Secteur Financier)
Employees	The Company's employees, employees of the Company group companies insourced by the Company and any temporary employees
ESG	Environmental, Social or Governance
PMF	Portfolio Management Function which is a specific function of Engelwood Asset Management S.A.
RMF	Risk Management Function which is a specific function of Engelwood Asset Management S.A.
SFDR	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

## 2. ORGANIZATIONAL STRUCTURE OF EAM

### 2.1. THE PORTFOLIO MANAGEMENT FUNCTION

The Portfolio Management Function (the “**PMF**”) may be either performed in-house by EAM or may be delegated to external parties.

In both cases the final responsibility for the PMF stays with EAM.

When performing the portfolio management function, EAM may seek the support of external Investment Advisors who identify and propose potential target investments to EAM. All investment proposals by external Investment Advisors are duly assessed by EAM as portfolio manager and only executed after a positive vote on the proposal.

In cases where EAM delegates the PMF to external parties, EAM ensures through a robust due diligence and monitoring process the capabilities and service quality of the delegates, including the integration of the sustainability risks if required.

## **2.2. RISK MANAGEMENT FUNCTION**

EAM is responsible for a proper risk management of the AIFs it manages. Therefore, EAM established a risk framework to constantly monitor the risk exposure of the AIFs. Additionally, the Risk Management Function (the “**RMF**”) is, inter alia, responsible to define the risk profiles of the AIFs which define specific risk thresholds for each AIF.

## **3. SUSTAINABILITY RISKS**

Sustainability risks can either represent a separate risk category or have a reinforcing effect on other risk categories relevant to the AIFs, such as market risk, liquidity risk, counterparty risk, credit risk or operational risk and can substantially contribute to the overall risk of the AIFs as such.

Insofar as sustainability risks materialize, they may have a significant impact on the value and/or return of the assets concerned up to a total loss. Such effects on the asset(s) can negatively influence the overall return of the AIFs.

When taking into consideration sustainability risks, it is the aim of EAM, together with the investment advisor/delegated portfolio manager, to identify the possible occurrence of these risks at an early stage and to take appropriate measures to minimize the impact on the affected asset(s) or the overall portfolio of the AIFs.

The sustainability aspects that can have a negative impact on the return of the AIF are divided into ESG aspects. Consequent impacts to the occurrence of sustainability risk can vary according to a specific risk, region, compartment or asset level.

ESG factors may be, *among other things*, the following:

- ❖ Environmental
  - Climate mitigation;
  - Adjustment to climate change;
  - Protection of biodiversity;
  - The sustainable use and protection of water and maritime resources;
  - The transition to a circular economy, the avoidance of waste, and recycling;
  - The avoidance and reduction of environmental pollution;
  - The protection of healthy ecosystems; and
  - Sustainable land use.
  
- ❖ Social
  - Compliance with recognized labor standards (no child labor, forced labor or discrimination);
  - Compliance with employment safety and health protection;
  - Appropriate remuneration, fair working conditions, diversity, and training and development opportunities; and
  - Trade union rights and freedom of assembly.
  
- ❖ Governance
  - Anti-corruption measures
  - EAM's board remuneration based on sustainability criteria
  - The facilitation of whistle blowing
  - Employee rights guarantees
  - Data protection guarantees
  - Information disclosure

#### 4. **SUSTAINABILITY RISK APPROACH**

For the case where the AIFM considers adverse impacts of investment decisions on sustainability factors, because the investment policy of a fund includes a sustainability objective or ESG characteristics, EAM has implemented internal processes to assess sustainability risks of potential target investments in case EAM holds the PMF itself, as well as a process to continuously monitor the risk exposure of AIFs throughout their lifecycle. The ongoing monitoring is performed by the risk management function of EAM.

To effectively monitor sustainability risks, EAM had identified specific risk aspects to be considered in the monitoring of the relevant AIFs which are based on the investment strategy and target investments to be acquired by the AIFs.

Additionally, EAM expanded the existing risk profiles of the relevant AIFs with sustainability related risk provisions.

In case the overall sustainability risk exposure of an AIF is above the limits set as per risk profile, the RMF will directly escalate to the Conducting Officer in charge of Risk Management & Valuation, who will inform the Executive Committee, the Board of the AIFM and the portfolio manager so that he/she can take appropriate remedial action. In any case, the RMF and the Conducting officer in charge of Risk Management & Valuation report to the Executive Committee and the Board at least on an annual basis.

Where EAM's PMF is delegated to a third-party portfolio manager, EAM shall ensure that the portfolio manager has defined a sustainability risk management approach. EAM shall monitor on a periodic basis - during the ongoing/periodical due diligence process - the correct and proper application of the sustainability risk management approach.

#### 5. **INTEGRATION OF SUSTAINABILITY RISKS IN REMUNERATION POLICY**

Article 5 SFDR requires EAM to include information on how this policy is consistent with the integration of sustainability risks in its remuneration policy and shall publish that information on its website.

In accordance with the requirements set by Article 5 SFDR, EAM has decided to amend its remuneration policy accordingly.

#### 6. **POLICY REVIEW**

This policy will be reviewed and updated annually, and on an ad hoc basis in case of relevant changes to the organizational structure of EAM, in case of amendments to the regulatory framework governing this policy or if otherwise deemed necessary.