

ESG POLICY – SFDR DISCLOSURES



Funds Avenue S.A. (“FAV”) is an independent Investment Fund Manager authorised and supervised by the Commission de Surveillance du Secteur Financier (CSSF) under Chapter 15 of the Law of 17 December 2010 relating to Undertakings for Collective Investment and Chapter 2 of the Law of 12 July 2013 on Alternative Investment Fund Managers. FAV is issuing the below disclosures in reference to 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 “SFDR”). Indeed, in accordance with Article 3 of the SFDR, FAV shall publish information about its policies on the integration of sustainability risks in its investment decision-making process.

FAV manages investment funds of external clients which can either fall under the definition of:

- standard products without any particular environmental, social and governance (“ESG”) characteristic or sustainable investment objective;
- financial products which promote environmental, social and/or governance characteristics, as per Article 8 of the SFDR; or
- financial products having a sustainable investment as objective, as per Article 9 of the SFDR; hereafter (the “Investment Funds”).

Due to the wide variety of characteristics of those Investment Funds, it is not possible for FAV to develop comprehensive or single ESG policies. However, FAV performs initial and ongoing ESG due diligences on all the financial market participants to whom portfolio management has been delegated. FAV ensures to work in close collaboration with financial and investment advisers or initiators of Investment Funds under management in order to set up adequate controls, key risk indicators and reporting solutions in line with the pre-contractual (e.g., prospectus or offering memorandum) disclosures imposed by the SFDR.

For Investment Funds which promote environmental, social and/or governance characteristics, in the sense of Article 8 of SFDR, and those that have sustainable investment objectives, in the sense of Article 9 of SFDR, FAV notably verifies that there are adequate ESG policies and procedures at the entity level and sustainability risk controls in place in the investment process on pre-trade, post trade and for reporting purposes.

Sustainability Risk

FAV promotes at all times sound and effective sustainability risk management that is consistent with the risk profile, rules and constitutional documents of the Investment Funds managed. To this end, sustainability risks are globally integrated into FAV’s investment decisions and risk management processes.

A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment made by the Investment Funds

under FAV's management. Environmental risks are principally linked to physical risk (e.g., climate-related events resulting from climate change) or transition risk (e.g., the society's response to climate change which may result in unanticipated losses that could affect an investment). Sustainability risks can also include social risks (e.g., gender gaps, social inequality) and governance risks (e.g., bribery issues, corrupt selling practices). Additionally, a sustainability risk can either represent a risk of its own or have an impact on other risks and may contribute significantly to the latter risks, such as market risks, operational risks, liquidity risks or counterparty risks.

Principal adverse impacts

The assessment of sustainability risks is therefore complex, might be difficult to obtain and may be incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed. For this reason, FAV does not consider the adverse impacts of investment decisions on sustainability factors as prescribed by Article 4 of the SFDR.

Sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Nevertheless, FAV is committed to maintain and improve research to incorporate ESG aspects into activities and influence positively all the financial market participants and advisers FAV works with to follow this path.

To this extent, the current approach is expected to evolve overtime. Based on the latest available information on adverse impacts, FAV's intention is to publish and update information available on its website on a regular basis in order to comply at all times with all applicable laws and regulations.

Remuneration Policy

FAV's remuneration policy is aligned with the long-term nature of its activity. The remuneration policy promotes, sound and effective risk management and does not encourage excessive risk-taking which is inconsistent with its own risk profile, or the risk profile of the Investment Funds managed by FAV including sustainability risks.

Conflict of Interest

When performing the identification of the types of conflicts of interest whose existence may damage the interests of an Investment Fund or its investors, FAV includes the types of conflicts of interest which may arise from the integration of sustainability risks in its processes, systems and internal controls.