Sustainability Risk Policy

Purpose and applicability

Avega Capital Management ("ACM" or the "AIFM") is authorised by the Commission de Surveillance du Secteur Financier to provide AIFM services to a range of AIFs.

As per Regulation (EU) 2019/2088 ("SFDR"), the company is defined as a "financial market participant".

Version history and approval

Date	Prepared by	Approved by
10 March 2021	Jens Holzhäuser	Board of Directors
09 December 2022	Joshua Kaiser/Joshua Bierig	Board of Directors

This Policy is dated 09 December 2022 ("the **Date of this Policy**").

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Objective

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

Further, per Article 3 of SFDR, a financial market participant is required to "publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process."

ACM has adopted this statement to describe the approach taken to demonstrate compliance with Article 3 of SFDR. For the purpose of this statement: "Sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

ACM Commitment

To the extent possible, ACM adopts a sustainable approach in its daily operations and investment strategies, integrating sustainability risks.

A sustainability risk is defined as environmental, social or governance event or condition that, which if they occur have or may have significant negative impacts on the assets, financial and earnings situation, or reputation of a supervised entity.

For ACM, taking into consideration sustainability risks means integrating ESG factors (as defined below) in its daily operations and business for the benefit of its clients and overall, the financial system.

ESG factors are the following:

- <u>Environmental</u>
  - 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
  - Sustainable land use

- <u>Social</u>
  - 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
  - Trade union rights and freedom of assembly
  - Guarantee of adequate product safety, including health protection
  - Application of the same requirements to entities in the supply chain

- Inclusive projects and consideration of the interests of communities and social minorities.

- Governance
  - Tax honesty
  - Anti-corruption measures
  - Sustainability management by the board
  - Board remuneration based on sustainability criteria
  - The facilitation of whistle blowing
  - Employee rights guarantees
  - Data protection guarantees
  - Information disclosure

Consequent impacts to the occurrence of sustainability risk can vary according to a specific risk, region or asset class. Generally, when sustainability risk occurs for an asset, there will be a negative impact and potentially a total loss of its value and therefore an impact on the net asset value of the concerned fund.

Although ACM aims in all its investment strategies to integrate ESG factors, there are different level of consideration given to sustainability risks depending on the strategy pursued which are further described in the pre-contractual documents of the funds in accordance with SFDR.

As of today, ACM is currently not in a position to consider principal adverse impacts of investment decisions on sustainability factors due to a lack of available and reliable data.

Monitoring and reporting of sustainability risks

Investment Advisor model:

During the ex-ante risk assessment process, ACM is requesting the investment advisor to perform the related analysis in order to identify and to measure the likely impact of the risk on the investment fund. ACM will collect the related information from the investment advisor and if those risks are relevant, the risk management team of the AIFM will perform an exposure assessment (ex-post) review of those risks as part of the discharge of its duties.

The objective would be to identify the materiality of those risks and the potential impact on the financial returns. If the risk is identified as relevant and the likely influence the financial return of the product material, the pre-contractual documents would be updated accordingly.

The sustainability risk identification and assessment will be performed on a periodic basis, by requesting information to the investment committee during the due diligence process and by performing the stress testing during the ex-post analysis. Through this ACM aims to identify a change in the relevance of the risk affecting the company's return. If a relevant risk appears as becoming material, ACM will request to adapt the portfolio composition for ensuring the correct mitigation.

Delegation model:

For the investment products for which the portfolio management function is delegated to a third party Portfolio Manager, ACM is requesting the Portfolio Manager to define a dedicated sustainability risk management approach. ACM will control on a periodic basis, during its due diligence process as defined in its monitoring framework, the correct application of the sustainability risk management approach and will perform the ex-post analysis, classifying the investment products by typology of sustainability risk and performing the related stress testing.

Integration of Sustainability risks in remuneration policy

In compliance with article 5 of SFDR, financial market participants are required to include in their remuneration policy information on how this policy is consistent with the integration of sustainability risks and shall publish that information on its website.

It has to be noted that the remuneration of identified staff is not related to the performance of the AIFs under management. Bearing that in mind there is no risk misalignment with the sustainability risks associated with the investment decision-making process of ACM with regards to the AIFs it manages. In that regard, in case portfolio management is carried out internally by the AIFM, its existing structure is sufficient to prevent excessive risk taking in respect of sustainability risks.

Where ACM's portfolio management function is delegated, ACM shall ensure that the portfolio manager adopts remuneration policy and procedure, which is consistent with the integration of sustainability risks, if sustainability risks are integrated into the investment decision making process.

Initial and ongoing confirmation will be requested concerning the fact that remuneration process is not encouraging excessive risk with regards to sustainability and compliance of the remuneration process with the Annex II of AIFM law.

Contacts

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