

ESG Policy

Purpose and applicability

The purpose of this ESG Policy (the “**Policy**”) is to ensure that Avega Capital Management together with Avega Capital Management S.A. – Niederlassung Frankfurt (“**German Branch**”) (together “**ACM**”) is able to fulfil its obligations arising out of 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**”) and related regulatory requirements, e.g. EU Taxonomy Regulation. In addition, the Policy takes into account the ESMA Guidelines on funds’ names using ESG or sustainability-related terms (ESMA34-472-373) (“**ESMA Guidelines on funds’ names**”) to ensure that any sustainability-related fund designation is compliant and not misleading. Furthermore, the Policy reflects all other relevant publications and guidance issued by the European Supervisory Authorities (“**ESAs**”), ESMA, as well as the respective local competent authorities, insofar as they relate to the integration of sustainability risks, ESG-related disclosures, or the supervisory expectations governing ESG-related investment limits and criteria.

For the avoidance of doubt, the Policy shall also ensure that the German Branch is able to fulfil its obligations arising from the above as well as to comply with obligations arising from local law and regulation of the host member state. Moreover, the term AIF is referring to AIFs managed via Avega Capital Management S.A. as well as AIFs managed via the German Branch.

The Policy is reviewed at least on an annual basis, or more frequently in case of significant changes and approved by ACM’s conducting officers.

Version history and approval

Version	Date	Prepared by	Approved by
	10 March 2021	Jens Holzhäuser	Board of Directors
	09 December 2022	Joshua Kaiser/ Joshua Bierig	Board of Directors
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This Policy is dated 19 December 2025 (“the **Date of this Policy**”) and replaces the former Sustainability Risk Policy, with all previous content now fully integrated into the updated ESG Policy.

Contents

Contents	2
1. Regulatory framework	3
1.1. SFDR Level I	3
1.2. SFDR Level II	3
1.3. EU Taxonomy Regulation	4
1.4. ESMA Guidelines on funds' names	4
2. ESG at ACM Level	5
2.1. Transparency of the integration of sustainability risks	5
Environmental	5
Social.....	5
Governance	6
2.2. ACM Green Values	6
Environmental	6
Social.....	6
Governance	7
2.3. Principal Adverse Impacts	7
2.4. Integration of Sustainability Risks in remuneration policy.....	7
2.5. ESG-Team	8
2.6. Signatory of Principles for Responsible Investment.....	8
2.7. CO ₂ -Offset.....	8
3. ESG on AIF Level	9
3.1. Pre-Contractual Disclosure.....	9
Article 6 funds.....	9
Article 8 funds.....	9
Article 9 funds.....	9
3.2. Website Disclosure	10
Article 6 funds.....	10
Article 8 funds.....	10
Article 9 funds.....	10
3.3. CSSF Data Collection Exercise.....	10
3.4. Periodic Disclosure	11
3.5. Marketing Communications	11
4. ESG on Asset Level.....	12
4.1. Integration in the investment decision process	12
4.1.1. Delegation framework.....	12
4.1.2. Non-delegation framework (investment advisor model).....	12
4.2. Ongoing monitoring	12
4.2.1. Sustainability Risk	12
4.2.2. Compliance with investment restrictions.....	12

1. Regulatory framework

The key regulations in the context of ESG and sustainability are the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Regulation.

The EU Sustainable Finance Action Plan, which contains a series of interlinked rules to promote sustainable investment, is an important step towards investing capital in a sustainable economy. A key element of the plan is the SFDR which came into force on 10 March 2021:

1.1. SFDR Level I

- SFDR Level I provides the core framework, requiring financial market participants¹ to disclose how they integrate sustainability risks into their investment decisions and products, e.g. as per Article 3 of SFDR a financial market participant is required to publish on its website information about their ESG policies and the consideration of sustainability risks. Further, it classifies financial products into Articles 6, 8 and 9 based on their sustainability focus.
- Funds under Article 6 of SFDR: An **Article 6 fund** under the SFDR is a financial product that does not promote specific environmental or social characteristics, nor does it have sustainable investment as its objective. However, it must disclose how sustainability risks are integrated into its investment decisions and the potential impact of these risks on returns. If sustainability risks are deemed irrelevant, the fund must explain why they are not considered in its strategy.
- Funds under Article 8 of SFDR: An **Article 8 fund** under the SFDR is a financial product that promotes environmental or social characteristics but does not have sustainable investment as its primary goal. These "light green" funds must disclose how they meet these characteristics and provide information on any reference benchmarks used.
- Funds under Article 9 of SFDR: An **Article 9 fund** under the SFDR is defined as a financial product that has sustainable investment as its primary objective. This includes investments in economic activities that contribute to an environmental or social objective. Unlike Article 8 products, which promote environmental or social characteristics, Article 9 funds aim to achieve specific positive sustainability impacts, such as reducing carbon emissions or supporting social causes, and must disclose their alignment with the EU Taxonomy and other sustainability frameworks.

1.2. SFDR Level II

SFDR Level II Regulation details the specific regulatory technical standards ("RTS"), outlining more stringent and standardized disclosure requirements, including pre-contractual, periodic, and website reporting on sustainability impacts.

¹ As per SFDR, ACM is defined as a "financial market participant".

1.3. EU Taxonomy Regulation

The Taxonomy Regulation, which introduced uniform environmental criteria in the EU, came into force on 01 January 2022. As of 01 January 2023, elements of the Taxonomy Regulation were integrated into the disclosure requirements of the SFDR. This regulation establishes criteria for determining whether an economic activity is environmentally sustainable. It defines six environmental objectives and aims to create a common language for assessing the environmental impact of investments, supporting transparency and comparability. The environmental objectives are climate change mitigation and adaptation, water and marine resource protection, circular economy transition, pollution prevention, and biodiversity protection. Its goal is to provide investors with a consistent framework for assessing the environmental impact of investments.

1.4. ESMA Guidelines on funds' names

The ESMA Guidelines on funds' names using ESG or sustainability-related terms (ESMA34-472-373), published on 14 May 2024, constitute a key regulatory measure to enhance market integrity and prevent greenwashing within the European fund industry. The Guidelines establish clear, objective criteria and exclusion thresholds that must be met before ESG- or sustainability-related terms may be used in a fund's name. By introducing minimum investment requirements, mandatory exclusions and enhanced transparency expectations, the Guidelines ensure that a fund's designation is fully aligned with its underlying investment strategy and sustainability profile.

They are applicable to newly launched funds as of 14 November 2024 and to existing funds from 14 November 2025. In this way, the Guidelines support a harmonized supervisory approach across the EU, strengthen investor protection, and foster greater consistency and comparability in the use of sustainability-related fund names.

The above-mentioned regulations are complemented by further directives such as MiFID II² and reporting frameworks like the Non-Financial Reporting Directive ("NFRD"), which is being replaced by the Corporate Sustainability Reporting Directive ("CSRД"). Additionally, various publications from European supervisory authorities, such as ESMA Guidelines and ESA Q&A on SFDR, provide further guidance. The Alternative Investment Fund Managers Directive ("AIFMD") (Directive 2011/61/EU), including Commission Delegated Regulation (EU) 2021/1255, which amends Delegated Regulation (EU) No 231/2013, specifies how AIFMs must integrate sustainability risks and factors into their risk management processes and decision-making.

Detailed information on relevant obligations derived from these regulations can be found in the ESG Manual for Alternative Investment Funds ("ESG Manual") as well as in the general and the asset class specific Risk Management Procedure (together "RMPs").

Thus, the following documents should be read in conjunction with the ESG Policy:

- ESG Manual
- RMPs
- AIF-specific Risk Profile

² MiFID II (Markets in Financial Instruments Directive II) is a European Union regulation that aims to increase market transparency, enhance investor protection, and improve the stability of financial markets by setting comprehensive rules for trading financial instruments and providing investment services.

2. ESG at ACM Level

Entity-SFDR Level I Disclosure Requirements refer to obligations for the entities themselves concerning their policies on decision-making on sustainability risks. At ACM, sustainability is understood as an overarching objective, supported by an ongoing and integrative ESG process that aligns with environmental, social and governance considerations. As a company, ACM is committed to continuously adapting the operations to ensure they reflect these values. Beyond ACM's role as a service provider and employer, ACM positions itself as a collaborative network connecting clients and employees. The following sub-sections provide an overview of how ACM adopts a sustainable approach in its daily operations and investment strategies, integrating sustainability risks.

2.1. Transparency of the integration of sustainability risks

The former Sustainability Risk Policy has been incorporated into ACM's overarching ESG Policy, ensuring a consistent and holistic approach to the identification, assessment and management of sustainability risks across all AIFs within ACM's ESG framework. To comply with Article 3 SFDR, ACM publishes this policy on its website, providing information on its approach to integrating sustainability risks³ into the investment decision-making process. For ACM, taking into consideration sustainability risks means integrating ESG factors (as defined below) into its daily operations and business for the benefit of its clients and overall, the financial system. In general, ESG factors are, amongst others, 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
- 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
- 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.

³ A sustainability risk is an ESG event or condition that may materially negatively affect a supervised entity's assets, financial or earnings position, or reputation.

Governance

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

For the avoidance of doubt, sustainability risks assessment is conducted with the same level of rigour across all AIFs, irrespective of whether they fall under Article 6, 8 or 9 SFDR. However, the type of sustainability risks considered, as well as the ESG-related KRIs applied within the risk management framework, may differ depending on the AIF's investment strategy. Sustainability risks may vary by specific risk category, region, or asset class and may negatively impact an asset's value, potentially causing total loss and affecting the fund's net asset value ("NAV"). ACM integrates ESG factors across all strategies, but the level of consideration depends on the AIF strategy, as detailed in the AIF's constitutional documents (see also section "ESG at the AIF Level").

2.2. ACM Green Values

On ACM level specific values ("ACM's Green Values") are pursued. The list is not exhaustive, as at ACM, sustainability is regarded as an ongoing, integrative process:

Environmental

- Sustainable working environment:
 - Office Location: ACM is located in the Oksigen Building in Kirchberg, Luxembourg. The modern building, opened in 2016, features a sustainability concept that includes controlled lighting, e-car charging stations, and direct access to public transportation (tram).
 - Plastic-Free Office: ACM strives to eliminate plastic products from the office and encourages the use of recyclable materials.
 - Paperless Transition: ACM is actively working towards becoming a "paperless company." Most internal and external communications are already conducted through digital solutions to reduce paper consumption.
- Sustainable Commuting at ACM:
 - To minimize the ecological footprint, ACM covers the cost of cross-border public transport tickets for employees.
 - Local public transport in Luxembourg is free, making it the first country globally to offer free travel by bus and train across the entire country. This initiative supports sustainable, climate-friendly mobility within Luxembourg's borders.

Social

- Social working conditions:
 - 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

- Work-Life Balance:
 - Work-from-home flexibility: Accelerated by the COVID-19 pandemic, ACM introduced the option to work from home, which proved effective as work processes adapted quickly. Even after the pandemic, this flexibility remains an integral part of ACM's offering to employees.
 - Flexible Working Hours: Recognizing that different life plans require varying time commitments; ACM provides flexibility in working hours. This allows employees to organize their work-life balance according to their individual needs.

Governance

- Tax honesty
- Anti-corruption measures
- Gender Equality: ACM actively promotes gender equality and equal opportunities in the workplace, striving for a balanced gender ratio at all levels of the company.
- Multicultural Diversity: Based in Luxembourg, a global financial center known for its multicultural environment, ACM embraces and is part of this diversity, welcoming individuals from various cultures and nationalities.

For further details concerning ESG at ACM and ACM's Green Values please refer to ACM's website ([ESG at ACM](#)).

2.3. Principal Adverse Impacts

In accordance with article 4 (1) (b) SFDR, ACM publishes on its website that generally the Principal Adverse Impacts (“**PAIs**”)⁴ of investment decisions on sustainability factors are not considered, due to absence of (i) sufficient data/ information and (ii) sufficient quality of such data/information to provide a meaningful assessment on the performance of any potential adverse impact of the investment decisions on sustainability factors in view of the lack of relevant information from target companies/investments.

However, individual financial products managed by ACM may choose to consider PAIs as part of their sustainability strategy. Information on this can be found in the individual prospectuses of these funds (please refer also to the section “ESG on AIF Level”).

2.4. Integration of Sustainability Risks in remuneration policy

In compliance with Article 5 SFDR, ACM includes in its remuneration policy information on how this policy is consistent with the integration of sustainability risks and publishes that information on its website.

The remuneration of identified staff is not linked to the performance of the AIFs under management. Therefore, no risk misalignment arises with respect to sustainability risks associated with the investment decision-making process. 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.

⁴ Principal Adverse Impacts (“PAI”) are the negative effects of investment decisions on ESG factors.

As sustainability risks form an integral part of ACM's overall risk management framework, an appropriate consideration of sustainability risks is implicitly required. At AIF level, no variable remuneration is awarded based on ESG performance metrics, ensuring that remuneration does not incentivise inappropriate risk-taking.

Where ACM delegates portfolio management, ACM ensures that the delegate maintains remuneration policy and procedure, which is consistent with the integration of sustainability risks, insofar as sustainability risks are integrated into the investment process.

Delegates are required to confirm initially and on an ongoing basis that their remuneration practices do not encourage excessive risk-taking regarding sustainability risks and comply with Annex II AIFMD requirements.

2.5. **ESG-Team**

ACM has a cross-functional ESG team that oversees all relevant topics and ensures the company remains compliant with all ESG-specific requirements. The ESG team regularly participates in training sessions and ensures that all regulatory disclosures and the related requirements are implemented on time.

In this context, a monthly ESG team meeting takes place, where the team discusses relevant topics, reviews updates, and ensures continuous alignment with regulatory requirements. This regular meeting allows the team to stay informed, share insights, and ensure that all actions related to ESG are executed on time and effectively.

The ESG team prepares a monthly overview of all fund-specific, regulatory, and other relevant topics in ESG-context. The ESG overview is presented in the monthly conducting officer meeting as well as the quarterly ACM Board Meeting to adequately inform the Board of Directors of ACM as well as the senior management, which is composed of the conducting officers of ACM. This ensures that key updates are communicated and that all regulatory requirements are addressed in a timely and organized manner.

2.6. **Signatory of Principles for Responsible Investment**

To demonstrate its commitment to responsible investment and sustainable practices, ACM is a signatory of the Principles for Responsible Investment ("PRI" or "UN PRI"), a global initiative supported by the United Nations. By aligning with UN PRI, ACM aims to promote transparency, sustainability, and responsible investing, contributing to a more sustainable global financial system.

2.7. **CO₂-Offset**

Especially regarding ACM's Green Values, ACM calculates the annual CO₂ emissions at the company level based on kilometers traveled (commuting and business trips). Employees complete a standardized template to provide the necessary data. ACM donates the equivalent value in EUR to a charitable organization.

3. ESG on AIF Level

3.1. Pre-Contractual Disclosure

ACM ensures full compliance with the regulatory requirements for Pre-Contractual Disclosures, in alignment with the SFDR. The specific requirements are determined by the AIF's classification under the SFDR and the EU Taxonomy. For a detailed description of the regulatory requirements for Pre-Contractual Disclosure, please also refer to the ESG Manual.

Article 6 funds

For all financial products under management, ACM ensures that in line with article 6 (1) (b) SFDR, the Pre-Contractual Disclosures provide transparent information on the integration of sustainability risks in their investment decisions. Furthermore, in accordance with article 7 (2) SFDR, ACM ensures that a clear and reasoned explanation is provided regarding how PAI on sustainability factors are considered by the AIF, accompanied by a statement that relevant information is available in the disclosures required by article 11(2). If applicable, the information may refer to the regulatory technical standards outlined in articles 4(6) and (7).

Article 8 funds

In accordance with Article 8 SFDR, a description on how the environmental or social characteristics, promoted by the fund, are incorporated into its investment strategy. If an index has been designated as a reference benchmark, ACM ensures that information on whether and how this index is consistent with those characteristics are transparently disclosed. Further, information on the environmental objectives of the underlying investments, their alignment with the EU Taxonomy's criteria for "environmentally sustainable" activities, and the proportion of such investments, are included, along with a statement clarifying that the "do no significant harm" principle only applies to investments that meet these criteria.

Article 9 funds

In accordance with Article 9 SFDR, ACM ensures that the sustainable investment objectives of its funds are clearly described and integrated into the investment strategy. This includes providing detailed information on how the fund aims to achieve its sustainability goals and the specific criteria used for selecting investments that contribute to these objectives. Additionally, if a reference benchmark has been designated, ACM ensures transparent disclosure on whether and how the benchmark aligns with the fund's sustainable investment objectives, in line with the requirements for Article 9 funds under the SFDR. Further, a detailed description of the fund's sustainable investment objective is included as well as how the investments contribute to achieving this objective in alignment with the EU Taxonomy's criteria for "environmentally sustainable" activities, the proportion of investments meeting these criteria, and a statement confirming that the "do no significant harm" principle applies to all investments that align with these criteria.

For the avoidance of doubt, the mentioned aspects for funds under articles 8 and 9 apply in addition to those mentioned for Article 6 funds.

Further, the Pre-Contractual documentation of respective funds comply with the technical standards ("RTS") required under Level II of SFDR.

3.2. Website Disclosure

In accordance with Article 10 SFDR, ACM discloses for Article 8 funds detailed information about the environmental or social characteristics promoted, including the methodologies used to assess and monitor these characteristics. For Article 9 funds, ACM outlines how the product aims to achieve its sustainable investment objectives, including the investment strategy, sustainability indicators, and the alignment with broader ESG goals.

Article 6 funds

For funds under Article 6 of SFDR no Website Disclosure is needed.

Article 8 funds

In accordance with article 10 (1) SFDR, ACM provides detailed disclosures regarding the environmental or social characteristics promoted by the funds. These consider the requirements of Article 24 of SFDR Level II (referring to articles 25 to 36), as they include a clear description of the characteristics, as well as information on the methodologies used to assess, measure, and monitor these characteristics. ACM also ensures transparent disclosure on how the fund meets these characteristics. Additionally, if an index has been designated as a reference benchmark, ACM ensures that information is provided on whether and how the index aligns with the fund's sustainability objectives.

Article 9 funds

In accordance with article 10 (1) SFDR, ACM ensures that its Article 9 funds meet all necessary SFDR disclosure requirements (stated in Article 37 of SFDR Level II referring to Articles 38-49) by providing comprehensive information on the fund's sustainable investment objective. This includes a clear description of the objective, the methodologies used to assess, measure, and monitor the impact of sustainable investments, and how these investments contribute to achieving the stated objective. If no index has been designated as a reference benchmark, ACM explains how the sustainable investment objective is to be attained. In cases where an index has been designated, ACM discloses how the index aligns with the objective and provides an explanation of how it differs from a broad market index, highlighting the specific alignment with the fund's sustainability goals.

3.3. CSSF Data Collection Exercise

ACM actively participates in the CSSF data collection exercises to ensure alignment with regulatory expectations and industry standards. These exercises involve gathering and reporting detailed information on sustainability-related aspects of the managed AIFs, including ESG factors and information on consideration of PAI. ACM meticulously collects, verifies, and submits relevant data to the CSSF (via eDesk). The scope of the requested data depends on the SFDR classification of the AIF.

3.4. Periodic Disclosure

In accordance with Article 11 of SFDR as well as Chapter V of SFDR Level II Regulation, ACM ensures compliance with periodic disclosure requirements under the Sustainable Finance Disclosure Regulation, taking into account the guidance issued by the respective local competent authorities. For Article 8 and 9 funds, ACM regularly reports on the integration of sustainability risks, the promotion of environmental or social characteristics, or the achievement of sustainable investment objectives. The periodic disclosures provide transparent and detailed insights into how the AIF's ESG targets, as defined in the Pre-Contractual Disclosure, are being met, as well as ensuring clarity on the adherence to the AIF-specific ESG- and sustainability quotas. The overall sustainability-related impact of the fund by means of relevant sustainability indicators must be disclosed.

3.5. Marketing Communications

In accordance with the ESMA Guidelines and Article 13 (1) of SFDR on marketing communications under the Regulation on cross-border distribution of funds, ACM ensures consistency of the marketing communications with the information in the fund's legal and regulatory documents. They include a link to the website with sustainability-related information provided in accordance with SFDR. Additionally, the marketing communication states that potential investors should consider all characteristics or objectives of the fund as outlined in its prospectus or other relevant disclosure documents. The communication also addresses how the investment strategy integrates sustainability-related characteristics or objectives.

4. ESG on Asset Level

4.1. Integration in the investment decision process

4.1.1. Delegation framework

For the investment products for which the portfolio management function is delegated to a third-party portfolio manager, ACM requests the portfolio manager to define a dedicated sustainability risk management approach. During its due diligence process as defined in its monitoring framework ACM controls the correct application of this sustainability risk management approach.

4.1.2. Non-delegation framework (investment advisor model)

During the ex-ante investment review, ACM requests the investment advisor to perform the related analysis to identify and to measure the likely impact of the risk on the AIF and collects the related information from the investment advisor.

The objective is to assess the materiality of sustainability risks and their potential impact on the AIF's financial returns, as well as to ensure that the investment decision aligns with the requirements outlined in the Pre-Contractual Disclosure.

4.2. Ongoing monitoring

4.2.1. Sustainability Risk

In accordance with SFDR and the Delegated Regulation (EU) 2021/1255, ACM considers sustainability risk as one of the material risks that an AIF is or might be exposed to. Thus, ACM identifies and analyses sustainability risks as part of its risk management process to ensure that those risks associated with the investments of the AIF and their overall effect on the AIF are adequately measured and monitored. The sustainability risk assessment is performed on a periodic basis, by requesting information from the investment advisor or delegated portfolio manager during the due diligence process. This process ensures that sustainability risks align with the baseline risk defined in the AIF-specific risk profile and meet regulatory requirements. ACM aims to detect any changes in the relevance of these risks that could impact the company's returns. If a relevant risk becomes material, ACM will take appropriate steps to adapt the portfolio composition to ensure effective mitigation.

For more details about the permanent risk management function and all the necessary procedures that allow ACM to assess for each AIF under management the exposure to material risks, like sustainability risks, please refer to the RMPs and the ESG Manual.

4.2.2. Compliance with investment restrictions

As outlined in relevant supervisory guidance, including the CSSF's FAQ on the SFDR and the BaFin publications on Sustainable Finance (in particular the *"Sustainable Finance – Orientierungshilfe"* 2022/2023), ACM treats ESG-specific investment limits, such as minimum requirements or exclusions for Article 8 and Article 9 funds, in the same manner as other investment thresholds or limits in the prospectus. Therefore, ACM's risk management ensures ongoing compliance with the relevant investment restrictions through regular investment restriction checks. The frequency of these checks is determined by the NAV calculation frequency of the AIF. This aligns with the regulatory guidance that ESG investment limits should be treated as binding commitments, subject to monitoring and oversight like other fund restrictions. For more details about the ongoing investment compliance, please refer also to the risk management policy, the RMP and the ESG Manual.