



# Environmental, Social and Governance and Sustainability policy

March 2021

## Abbreviations, Definitions and Governance Structure

**ESG Policy** means the present Environmental, Social and Governance and Sustainability Policy, including any attachment.

The **Company** (or **AFFM**) refers to AFFM S.A. having its registered office at 3, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg, operating under the supervision of the Commission de Surveillance du Secteur Financier (the “**CSSF**”).

The Company is a Chapter 15 management company in accordance with the 17 December 2010 Luxembourg Law concerning undertakings for collective investment, as amended (the “**2010 Law**”) and is governed by this law and by the 13 July 2013 Luxembourg Law on alternative investment fund managers, as amended (the “**AIF Law**”).

The **Funds** refer collectively to the undertaking for collective investments (**UCIs**) managed by the Company, for the account and the exclusive interest of the subscribers of the UCI' shares and units (the “**Investors**”).

## ESG

AFFM duly recognizes how global and compelling is the challenge to shape a more sustainable future for everyone and we welcome the growing commitment of business and finance to Environmental, Social, and Governance (**ESG**) issues, in line with the UN Sustainable Development Goals (**SDG**) and EU legislation, such Sustainable Finance Disclosure Regulation (EU) 2019/2088 (**SFDR**).

As a financial market participant, AFFM is aware that **Sustainability Risk**<sup>1</sup> represents a risk on its own, which could potentially and materially undermine the return of its investment strategies, similarly to other standard financial risks such as market risks, liquidity risks, counterparty risks and operational risks: with reference to environmental aspects, it may include pollution prevention, waste management or climate change risk, while social and

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<sup>1</sup> In line with SFDR, Sustainability risk, refers to an environmental, social, or governance event or condition, that, if it occurs, could cause a material negative impact on the value of an investment and/ or returns from that asset.



governance issues could refer to fundamental labour rights or corruption and bribery prevention.

On the other side, investment decisions undertaken by AFFM on behalf of its funds may result in adverse impacts on sustainability factors (so called, **Principal Adverse Impact**), like promoting energy-intensive or carbon companies that fail to disclose or do not engage enough towards Paris Climate Agreement goals<sup>2</sup>.

Although AFFM generally delegates the portfolio management function to third parties, AFFM ensures that assessment and monitoring of sustainability risks are integrated within the risk management approach and the general investment process for all the funds under its management.

### Cross sectorial ESG Criteria

Below the non-exhaustive list of ESG Criteria that AFFM expects its delegated Investment Manager to integrate within its investment decision making process, alongside other financial factors:

<b>Environment</b>
Climate change risk; Energy Transition; CO2 Emissions Management; Impact on Ecosystems; Resource Efficiency; Pollution Prevention; Use of Recyclable; Waste Management.
<b>Social</b>
Fundamental Labour Rights; Health and Safety; Supply Chain Management; Product Safety; Gender Diversity; Impact on Local Communities; Human Capital Management; Social Dialogue.
<b>Governance</b>
Corruption and Bribery Prevention; Remuneration Policies; Audit and Internal Controls; Ownership Structure; Level of Transparency; Voting Structure; Independence of the Board; Independence of the Committees.

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<sup>2</sup> The Paris Climate Agreement has been signed by 196 countries in 2015. It aims, among other things, to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees (<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>).



## **Due Diligence and Reporting**

AFFM closely partners with external portfolio manager to efficiently incorporate ESG alongside financial factors in the investment decision process and to promote active engagement, collaboration, transparent disclosure and reporting.

AFFM maintains the supervisory role of Management Company / Alternative Investment Fund Manager at the highest professional standards and monitors on a regular basis and with appropriate due diligence measures that the delegates appropriately integrate ESG factors.

Indeed, depending on the specific investment strategy, an increase in the sustainability risk exposure based on an increase of the sustainability risk level of a specific investment or of the portfolio of a given fund may lead to disinvestment of certain assets.

Finally, AFFM's control function is regularly reporting on the overall exposure of the funds to the Board of Directors.

## **Other references**

For specific policies and disclosures, we refer to the external manager's website.