Alpina Fund Management S.A.

Disclosure implementing the requirements of Article 3 of Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector to take account of sustainability risks

(the Sustainability Risk Policy")

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1 Introduction

Alpina Fund Management S.A. (hereinafter "AlpinaFM" or "Management Company") is a management company authorized by the Luxembourg supervisory authority "Commission de Surveillance du Secteur Financier" pursuant to chapter 15 of the Luxembourg law of December 17, 2010 on undertakings for collective investment (hereinafter "UCI Law") and is also authorized as an alternative investment fund manager pursuant to the Luxembourg law of July 12, 2013 on alternative investment fund managers (hereinafter "AIFM Law").

Within the scope of its regulatory authorization, AlpinaFM manages funds that qualify as undertakings for collective investment in transferable securities ("UCITS") or alternative investment funds ("AIF") (hereinafter "investment funds").

1.1 Sustainability-related disclosure requirements in the financial services sector

On November 27, 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019, on sustainability-related disclosure requirements in the financial services sector (hereinafter "SFDR") was published and entered into force on March 10, 2021. The key objective of the SFDR in this regard is to create transparency on how sustainability risks are taken into account in the management of investment funds. These transparency requirements apply to both the Management Company and the managed investment funds.

2 Goal of the Policy

This policy describes how the Management Company manages sustainability risks[1] in connection with the management of investment funds.

- **ex-ante, as part of the investment decision process; and**
- **ex-post, taken into account as part of ongoing monitoring.**

The Management Company is aware of the potential impact that sustainability risks may have on the managed investment funds and the risk-return profiles. The procedure outlined in this guideline for integrating sustainability risks as part of the investment decision-making process also serves to document the performance of the Management Company's extended fiduciary duties to the investors in the managed investment funds. This also includes the ongoing consideration of these risks.

[1] The purpose of this Policy is to outline how the requirements of Article 3 SFDR will be implemented by the Management Company (see Section 3 of this Policy for further details).

3 Governance of the Policy

- **The Policy was prepared on behalf of the Board of Directors by the specialist of the Management Company and approved by the Board of Directors.**
- **The Board is responsible for the adequacy of the Policy and for the appropriate overall implementation of the requirements of the Policy.**
- **The Board is responsible for approving all related directives and procedures necessary to implement this Policy.**
- **The Policy is updated on a regular or ad hoc basis as needed, taking into account both organizational and regulatory changes.**
- **Additions, revisions, amendments, and repeal of the Policy shall be approved by the Board of Directors.**
- **The Policy shall be reviewed at least annually and noted by the Board.**
- **Adjustments to the Policy will be published on the Management Company's website as required by the SFDR.**

4 Sustainability risk - overview of regulatory requirements

4.1 Sustainability risk - regulatory background

The European Commission published the "Action Plan for Financing Sustainable Growth" on March 8, 2018.

The Action Plan was significantly influenced by the goals of the Paris Climate Change Agreement[2] (December 2015)[3] and the UN Agenda 2030 (17 Sustainable Development Goals). The European financial system has a key role to play in achieving these goals. The European Commission established a High-Level Expert Group ("HLEG") on Sustainable Finance at the end of 2016. Its final report was published in January 2018 and sets out two key requirements for sustainable finance:

- **Improve the financial sector's contribution to sustainable and inclusive growth by financing society's long-term needs;**
- **Strengthening financial stability by taking environmental, social and corporate governance factors into account in investment decisions.**

The SFDR, alongside Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment? ("EU Taxonomy Regulation"), represents a key implementation tool of the European Union.

4.2 Sustainability risk - definition according to SFDR

Article 2 (22) of the SFDR defines sustainability risk as "an environmental, social or corporate governance (hereinafter "ESG") event or condition, the occurrence of which could have an actual or potential material adverse effect on the value of the investment".

[2] The Paris Agreement is the first universal and global climate treaty that has as one of its key objectives to limit global warming to significantly less than 2°C.
[3] Formal ratification by the European Union in October 2016.

4.2.1 Sustainability risk - relationship to other risk categories

The UCI Law and the AIFM Law are based on European Directives (UCITS Directive, AIFM Directive). The content of these European Directives is supplemented by delegated regulations. These regulatory requirements also define the relevant risk categories to be considered by a management company for the managed investment funds, namely (i) market risk, (ii) liquidity risk, (iii) counterparty risk, (iv) credit risk and (v) operational risk. Sustainability risk does not form an independent risk category, but manifests itself as an impact in the various risk categories, predominantly in market risk.

4.2.2 Sustainability risk - relationship to principal adverse impacts

Article 4 of the SFDR establishes the principle of principal adverse impacts (hereinafter "PAIs") of investment decisions on sustainability factors[4] . For the different categories of sustainability factors (hereinafter "ESG"), different underlying sustainability indicators can be used for the assessment. Sustainability indicators also form the basis for identifying and assessing sustainability risks.

The Management Company's handling of PAIs in accordance with the requirements of Article 4 of the SFDR is disclosed independently on the website.

[4] Article 2 (24) of the SFDR defines sustainability factors as environmental, social and labor concerns, respect for human rights and the fight against corruption and bribery.

4.3 Sustainability risk - SFDR requirements relevant to this guideline

The SFDR imposes transparency requirements on the management company and the managed investment funds in connection with sustainability risks. The transparency requirements require that both the management company and the managed investment funds describe how sustainability risks are dealt with in the context of the investment decision.

Article	Summarized requirement	Level	Implementation
Art. 3 (1) SFDR	Illustration of how sustainability risks are considered as part of the investment decision-making process.	Management company	Presentation in the context of this guideline taking into account Art. 6 (1) SFDR.
Art. 6 (1) SFDR	Explanations in pre-contractual information (sales prospectus) on the following aspects: a) the manner in which sustainability risks are incorporated into investment decisions; and b) Results of the assessment of the expected impact of sustainability risks on the return of the investment fund. If sustainability risks are not considered relevant, the explanations on the above aspects contain a clear and unambiguous justification for this.	Investment-funds	The principle of how sustainability risks are taken into account by the portfolio manager in the context of the investment decision is set out in the pre-contractual information, as standardized in Art. 6 (1) SFDR.

5 Sustainability risk - integration in the investment decision process

5.1 Sustainability Risk - Integration in the Investment Decision Process: Design of the Portfolio Management Function

As the Management Company, AlpinaFM is in principle responsible for performing the portfolio management function for the managed investment funds.

The exercise of the portfolio management function of the Investment Funds may in principle be structured as follows:

1) **Portfolio management function is performed by the Management Company itself (with/without the support of an investment advisor);**
2) **Portfolio management function is delegated to a qualified third party.**

Regardless of the design of the portfolio management function, the following fundamental principles are relevant:

- **The Management Company is aware of the potentially significant impact that sustainability risks can have on the managed investment funds and considers sustainability risks to be relevant in principle for all managed investment funds -**

regardless of the design of the portfolio management function in the respective investment fund;

- the sustainability risks deemed relevant are integrated as part of the investment decision process, taking into account the disclosures in the pre-contractual information of the respective investment fund pursuant to Article 6 (1) SFDR and the qualification of the respective investment fund pursuant to Article 8 or 9 SFDR;
- Sustainability risks can be assessed both qualitatively and quantitatively[5]
- the risk management function for all managed investment funds is always performed by the Management Company itself, thus ensuring the ongoing monitoring of the sustainability risks of the managed investment funds (see section 6 of this guideline).

5.1.1 Sustainability risk - integration in the investment decision process: Exercise of the portfolio management function by the Management Company

The Management Company may perform the portfolio management function itself. In doing so, the Management Company may call in investment advisors to support the investment decision-making process. The investment decision is the sole responsibility of the Management Company. Therefore, the investment proposals of investment advisors are duly reviewed by the Management Company against regulatory and legal requirements prior to their execution. These reviews of the investment proposals are in principle structured differently within the Management Company, depending on whether the fund is a UCITS or an AIF, which investment strategy the investment fund takes into account, and which assets (liquid, illiquid) are to be acquired.

The sustainability risks deemed relevant in accordance with the investment policy are integrated as part of the investment decision process, taking into account the disclosures in the investment fund's prospectus pursuant to Article 6 (1) SFDR and the investment fund's qualification pursuant to Article 8 or 9 SFDR.

The Management Company will acknowledge the integration of sustainability risks in the investment decision process as part of the (periodic) due diligence as well as the ongoing monitoring of the delegated portfolio manager.

5.1.2 Sustainability Risk - Integration in the Investment Decision Process: Delegation of the Portfolio Management Function

The Management Company can delegate the portfolio management function to qualified third parties. In the event of delegation, the delegated portfolio manager is responsible for the investment decision process and the consideration of sustainability risks. The sustainability risks deemed relevant in accordance with the investment policy are integrated as part of the investment decision process, taking into account the disclosures in the prospectus of the investment fund pursuant to Article 6 (1) SFDR and the qualification of the investment fund pursuant to Article 8 or 9 SFDR.

The Management Company is required by law to monitor the quality of the service provided by the delegated portfolio manager on an ongoing basis. In order to fulfill its obligations, the Management Company has implemented an agreement as well as an appropriate

[5] The possibility of quantitatively measuring sustainability risks depends to a large extent on the availability of corresponding information in the market. The necessary data is not available to a sufficient extent and in the required quality for all assets in which the managed investment funds invest.

process to verify that the investment decisions made by a delegated portfolio manager comply with regulatory and legal requirements.

The Management Company will acknowledge the integration of sustainability risks in the investment decision process as part of the (periodic) due diligence as well as the ongoing monitoring of the delegated portfolio manager.

5.2 Sustainability Risk - Integration in the Investment Decision Process: Approach

In accordance with the requirements of Article 6 (1) of the SFDR, each investment fund must disclose in the pre-contractual information whether and how ("comply or explain") sustainability risks are taken into account in the investment decision-making process, whereby this is already ascertained when a new investment fund is launched in the course of the launch process. The consideration does not necessarily lead to a restriction of the investment universe.

An investment fund that meets the requirements of Article 8[6] or 9[7] SFDR shall transparently disclose in the pre-contractual information by which binding ESG/sustainability criteria in the investment decision process (e.g. exclusion of certain sectors/activities ("negative screening"), integration of ESG ratings, investments in sustainable investments according to the legal definition of Article 2 (17) SFDR) sustainability risks are taken into account. The consideration leads to a restriction of the investment universe.

5.3 Sustainability risk - integration in the investment decision process: relationship between sustainability factors and sustainability risk

The aim of the Management Company's consideration of sustainability risks is to identify the occurrence of these risks as early as possible and to take appropriate measures to minimize the impact on the affected assets or the overall portfolio of the investment fund, as sustainability risks can have a negative impact on the value or price of an asset of the investment fund.

The sustainability factors that can be responsible for a negative impact on the return of the investment fund are divided into environmental, social and corporate governance aspects. While environmental aspects include, for example, climate protection, social aspects include, for example, consideration of internationally recognized labor law requirements. Corporate governance aspects include, for example, consideration of anti-corruption and anti-bribery requirements as well as data protection.

The specific sustainability factors that are considered may vary between investment funds as they depend on the particular investment strategy.

The impact of sustainability factors on an investment fund's investments is monitored throughout the life cycle of the investment and therefore, if sustainability risk increases and affects the return of a particular investment or the investment fund's portfolio, it may result in the disinvestment of the investment.

[6] Promote environmental and/or social characteristics, or a combination of these characteristics, provided that the invested company applies good corporate governance practices.

[7] The investment objective of the investment fund is to invest in sustainable investments in accordance with the legal definition in Article 2 (17) SFDR.

5.4 Sustainability risk - integration in the investment decision process at a glance

The following table provides an overview of the processes in which sustainability risks are taken into account by the Management Company:

<table>
<tr><th></th><th></th><th colspan="3">Key processes of the Management Company
for the consideration of sustainability risks</th><th></th></tr>
<tr><th>SFDR Classification Investment Fund</th><th>Integration of sustainability risks</th><th>Portfolio management not delegated</th><th>Portfolio Management delegated</th><th>Risk Management</th><th>Consideration</th></tr>
<tr><td rowspan="2">Non-sustainable (Art. 6)</td><td rowspan="2">Sustainability risks are taken into account as part of a „Baseline-Approach”[8]</td><td colspan="3">▪ Investment Fund Edition</td><td rowspan="2">Pre-contractual information according to Art. 6 (1) SFDR</td></tr>
<tr><td>▪ Integration of external data/information (e.g. data provider)
▪ Investment decision Process</td><td>▪ Due Diligence Process
▪ Continuous monitoring (delegation monitoring; risk profile)</td><td>▪ Completion of the risk profile taking into account the general risk exposure of the investment fund.</td></tr>
<tr><td></td><td>↓</td><td colspan="3">Additional / modified / supplemented process content to the processes presented above for non-sustainable investment funds according to SFDR</td><td>↓</td></tr>
<tr><td rowspan="2">Art. 8</td><td rowspan="4">Additional supplementation of the "baseline approach" with specific sustainability factors</td><td colspan="3">▪ Consideration of requirements for sustainable investments according to Art. 2 (17) SFDR and applicability of the EU Taxonomy Regulation (if relevant) in the processes
▪ Consideration of PAIs (if relevant)
▪ Completion of all processes according to specific requirements of the investment policy (ESG characteristics) and control of the defined investment universe</td><td rowspan="4">Binding ESG / sustainability criteria according to pre-contractual information (Art. 8 / 9 SFDR)</td></tr>
<tr><td>▪ Investment Restriction Control (ex ante)</td><td>▪ Investment Restriction Control (ex post)</td><td>▪ Investment Restriction Control (ex post)</td></tr>
<tr><td rowspan="2">Art. 9</td><td colspan="3">▪ Reporting</td></tr>
<tr><td colspan="3">▪ Escalation</td></tr>
</table>

[8] The "baseline approach" can take into account quantitative and/or qualitative sustainability factors depending on the available data and information.

6 Sustainability risk - ongoing monitoring

The ongoing monitoring of sustainability risks is ensured by the Management Company by integrating the identified sustainability risks into the risk profiles of the managed investment funds.

Corresponding sustainability risk indicators/factors are integrated in the risk profile. The identification and selection of the relevant sustainability risk indicators/factors and their impact on the investment fund and individual investments is influenced in principle by the following elements:

- **Investment strategy of the mutual fund (e.g., industry, geography);**
- **Disclosure on the consideration of sustainability risks in the pre-contractual information according to Art. 6 (1) SFDR;**
- **Classification of the investment fund as "non-sustainable", Art. 8 or 9 according to SFDR and the extent of the sustainability strategy pursued;**
- **Availability of adequate data and information (quantitative, qualitative).**

The tolerated limits of the identified relevant sustainability risk indicators/factors are defined taking into account the overall risk classification of the respective investment fund. The risk profiles and escalation levels as well as measures are discussed by the risk management function of the Management Company with the portfolio manager. The risk management function is responsible for the ongoing monitoring of compliance with the requirements set out in the risk profile.

6.1 Sustainability risk - Ongoing monitoring: escalation

As described in section 6, the risk management function is responsible for the ongoing monitoring of compliance with the requirements set out in the risk profile. If these targets are met and/or exceeded, the risk management function has the following responsibilities in principle:

- **Escalation within the risk management function to the responsible risk manager and decision on whether to provide ad-hoc information to the board responsible for the risk management function;**
- **Escalation of achievement and/or exceedance of target(s) to Portfolio Manager and critical appraisal of Portfolio Manager's opinion;**
- **Agree on a plan (measures, timing) to return sustainability risk indicators/factors within the targets set in the risk profile;**
- **Monitor the effective return of sustainability risk indicators/factors within the targets set in the risk profile;**
- **Documentation and consideration in the reporting of the respective investment fund.**

7 Reporting

The risk management function of the Management Company reports regularly to the Executive Committee and the Board of Directors on the utilization of the risk profiles (overall risk) of the managed investment funds.

The portfolio management function of the Management Company reports regularly on the results of the due diligence and ongoing monitoring via delegated portfolio managers. The Executive Committee and the Board of Directors of the Management Company is regularly informed about the results of the due diligence and ongoing monitoring via delegated portfolio managers.