alpina funds

Alpina Fund Management S.A.

Disclosure implementing the requirements of Article 4 (1) of Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector for the transparency of adverse sustainability impacts at the level of the company

(the "PAI Disclosure 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 a manager of alternative investment funds 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 was entered into force on March 10, 2021.

The key objectives of SFDR in this regard is to create transparency,

- **how sustainability risks are considered in the management of investment funds; and**
- **whether the main adverse effects of investment decisions on sustainability factors are taken into account in the management of investment funds ("comply or explain").**

In principle, these transparency requirements apply to both the management company and the managed investment funds.

2 Goal of the policy

This policy explains the Management Company's decision regarding the consideration of principal adverse impacts of investment decisions on sustainability factors (hereinafter "PAIs" or "principal adverse impacts") when managing mutual funds in accordance with the requirements of Article 4 (1) SFDR.

In this context, AlpinaFM has decided that PAIs should be taken into account for managed investment funds that pursue a sustainable investment strategy or invest part of their portfolio in sustainable investments as defined in Article 2 (17) SFDR.

3 Governance of the policy

This policy will be reviewed and updated at least annually and adapted on an ad-hoc basis in case of relevant changes. For example, in the event of changes to the organizational structure of the Management Company, changes to the regulatory framework governing this Policy, or if otherwise deemed necessary

AlpinaFM expects that the initial review of this policy will be completed before the regulatory technical standards related to the content, methodology, and presentation of disclosures under Articles 2a (3), 4 (6) and (7), 8 (3), 9 (5), 10 (2), and 11 (4) of the SFDR are applicable.

4 Principal adverse impacts - overview of regulatory requirements

4.1 Principal adverse impacts - SFDR requirements

PAIs are those effects of investment decisions that lead to negative impacts on sustainability factors (recital 20 of the SFDR). The SFDR stipulates that both the management company and the managed investment funds must decide whether PAIs are to be taken into account in accordance with Articles 4 (1) and 7 of the SFDR.

There are no further clarifications or definitions in the SFDR regarding the concept of major adverse impact.1

4.1.1 Principal adverse impacts – Connection with sustainability factors and sustainability indicators

Article 2 (24) SFDR defines sustainability factors as environmental, social and employee concerns, respect for human rights, and anti-bribery and anti-corruption concerns. For each sustainability factor, different underlying sustainability indicators can in principle be identified (e.g. carbon footprint, equal pay, compliance with the requirements of the General Data Protection Regulation, Regulation (EU) 2016/679).

In this regard, the SFDR does not specify a mandatory list of sustainability indicators to be considered, nor for which sustainability indicators the most significant adverse impacts are (mandatory) to be considered.

[1] Further clarifications will be provided by the regulatory technical standards regarding the content, methods and presentation of disclosures under Article 2a (3), Article 4 (6) and (7), Article 8 (3), Article 9 (5), Article 10 (2) and Article 11 (4) of the SFDR. These regulatory technical standards are expected to apply from January 1, 2022.

4.1.2 Principal adverse impacts – Connection with sustainability risk

The SFDR establishes a link between the requirement to consider sustainability risks[2] in the investment decision process (Article 3 SFDR) and the consideration of the main adverse impacts of investment decisions on sustainability factors (Article 4 SFDR). Both concepts are based on the same foundation, i.e. the starting point in each case is the identification and consideration of relevant sustainability indicators.

In general, the identification and consideration of relevant sustainability indicators depends, among other things, on the investment strategy and the geographical and sectoral focus of the investment funds managed. Monitoring relevant sustainability indicators makes it possible to gain a better and more informed understanding with regard to the identification of (potential) sustainability risks. Furthermore, the assessment of certain sustainability indicators can be prioritised within the investment decision process in order to exclude or at least mitigate sustainability risks.

4.2 Principal adverse impacts - SFDR requirements relevant to this guideline

With respect to the consideration of PAIs, the SFDR only provides transparency requirements for the Management Company as of March 10, 2021. These transparency requirements stipulate that the Management Company explains how PAIs are taken into account at the company level. Provided that the Management Company complies with Article 4 (1) of the SFDR, no further disclosure is required for the managed investment funds in relation to Article 7 (2) SFDR.

5 Principal adverse impacts - integration in the investment decision process

5.1 5.1 Principal adverse impacts - 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.**

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

5.2 Principal adverse impacts - scope and current inherent limitations

The Management Company shall consider the main negative impacts of investment decisions on sustainability factors, as outlined in Section 2 of this Policy.

The ability to consider the main negative impacts depends significantly on the availability of relevant data and information for the invested assets. The availability and quality of relevant data and information for the systematic assessment of sustainability indicators and the consideration of PAIs is currently not considered sufficient for all asset classes in which the managed investment funds invest.

In considering the material adverse effects of investment decisions on sustainability factors, the Management Company focuses first on the managed investment funds that, according to pre-contractual disclosures, pursue sustainable investment strategies and either

- **as an investment fund pursuant to Article 9 SFDR (sustainable investment strategy) or**
- **qualify as investment funds pursuant to Article 8 SFDR and which invest a portion of their portfolio in sustainable investments as defined in Article 2 (17) SFDR.**

The Management Company will periodically re-evaluate the availability and quality of relevant data and information with the goal of expanding the consideration of key negative impacts.

5.3 Principal adverse impacts - identification and prioritization of the most important adverse impacts

For the identification and prioritization of relevant sustainability indicators, the portfolio manager consults various external sources as part of the investment management due diligence process (e.g., data providers, overview of materiality of sustainability indicators established by the Sustainability Accounting Standards Board). Based on this assessment, the relevant sustainability indicators identified as material to the implementation of the sustainability strategy are prioritized and included in the pre-contractual and website disclosures pursuant to Articles 8 and 9 SFDR and Article 10 SFDR, respectively, in accordance with the requirements of the SFDR.

Relevant sustainability indicators that may be considered include greenhouse gas emissions, energy consumption from non-renewable sources, violations of the principles of the UN Global Compact, or consideration of convictions and fines for violations of anti-bribery and anti-corruption laws.

5.4 Principal adverse impacts - Description of the principal adverse impacts on sustainability factors and the actions taken or planned in this regard.

The requirement to consider the most significant adverse impacts of investment decisions on sustainability factors is effective March 10, 2021. Accordingly, the consideration and aggregation of data and information have begun March 10, 2021, and related planned actions will be based on the results and assessment of the first full reporting period.

5.5 Principal adverse impacts - engagement policy

The Management Company has published its Engagement Policy in accordance with the requirements of Article 3g of Directive 2007/36/EC (Directive with regard to the promotion of long-term shareholder participation) on its website.

5.6 Principal adverse impacts - compliance with corporate governance, due diligence and reporting requirements

The Management Company is authorised and supervised by the CSSF. The Management Company is subject to significant regulatory requirements (EU, Luxembourg, CSSF), which deal in detail with the requirements for business conduct (corporate governance), due diligence (code of conduct and due diligence) and reporting.