Sustainability Risk Policy (Article 3)

[effective date: 3 December 2021]

1. EU Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation ("**SFDR**" or the "**Regulation**") applied from 10 March 2021 (the "**Application Date**"). The Regulation requires financial market participants such as Alpha Leonis Partners AG ("**ALP**") to provide information to investors with regards to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment.

This Sustainability Risk Policy specifically addresses the obligation in Article 3(1) of the Regulation:

"Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process."

2. Sustainability risks

A "**Sustainability Risk**" as defined in Article 2 (22) of the Regulation is: "*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*".

Sustainability Risks include (but are not limited to) the following:

- environmental risks such as the impact of environmental events such as increased flooding risks on operations of portfolio companies;
- social risks such as impact of non-compliance with anti-slavery or working conditions laws and regulations by portfolio companies; and
- governance risks such as inadequate management oversight of portfolio companies.

3. Integration of Sustainability Risks in investment processes

ALP invests across a broad range of investment strategies and asset categories. This involves investing in funds and select direct investments in private companies or real estate projects. The different nature of these investments means that the way in which ALP can integrate Sustainability Risks into its investment processes, and the types of Sustainability Risks that can be assessed, varies according to the type of investment being made.

Within the parameters set out in this policy, ALP has integrated the identification of Sustainability Risks into its decision-making process when making an investment, together with an assessment of the likely impacts of those identified Sustainability Risks on the financial returns of an investment. ALP continues to monitor those identified Sustainability Risks during the time a fund whose portfolio is managed by ALP (a "**Managed Fund**") holds the relevant investment, with such Sustainability Risks also considered during any exit of the investment.

A Managed Fund will generally – depending on its investment strategy – invest in funds (“**Fund Investments**”) and direct investments into private companies or real estate projects (“**Direct Investments**”).

The initial screening for a prospective Fund Investment will be based on the following general criteria: (i) the investment strategy of the Fund Investment, (ii) an evaluation of the investment team managing the Fund Investment, (iii) the track record of that team; and (iv) operational aspects of that team that can broadly be described as their “professionalism”.

ALP is not able to screen a prospective Fund Investment for all Sustainability Risks due to their nature: a Fund Investment is an investment into a fund managed by a manager over whom ALP does not and cannot exert control or influence. Additionally, such fund would be a “blind pool” fund that would not have made any or many investments at the time of the Managed Fund’s investment therein and such fund would also invest in a range of underlying portfolio companies. The result of this is that at the time of investment, ALP would not be able to undertake a quantitative assessment of risk of any Sustainability Risks arising.

However, ALP does assess a prospective Fund Investment against the above-stated criteria and is reasonably confident that it is able to assess on a qualitative basis the likelihood of Sustainability Risks impacting a Managed Fund’s performance. This is principally guided by the capabilities of the relevant team and in particular, their compliance with best practices regarding governance and compliance with the relevant laws that intersect with environmental and social risks.

A Managed Fund will also make Direct Investments in individual portfolio companies. The screening process for a prospective Direct Investment is similar to that of a Fund Investment. ALP may generally have greater visibility on the underlying portfolio company, both at the stage of initial due diligence and on an ongoing basis, but there is no assurance that ALP would be able to undertake a quantitative assessment of risk with respect to Sustainability Risks.

Further, a Managed Fund may have a diversified investment portfolio of Fund Investments and Direct Investments; the diverse nature of the portfolio would mean that if a Sustainability Risk event occurred, it is expected that it would have a relatively limited impact on the overall returns of the Managed Fund.

Through the integration of the processes outlined above, ALP believes that likely impacts of Sustainability Risks on the returns of any given product are **low to medium**. However, the relevant pre-contractual disclosures for each Managed Fund may provide a more bespoke risk rating as is suitable for that Managed Fund and its activities.

4. Review of the Policy

This Sustainability Risk Policy (Version 1) is effective as of 3 December, 2021 and will be reviewed at least once a year.