Luxcara

Principal Adverse Impacts policy

Luxcara Group

Principal Adverse Impacts – Website Summary

10 March 2021

This document summarises the investment due diligence policy of the Luxcara Group and all related entities and initiated/managed investment products (the "**Firm**"), in respect of the principal adverse impacts of our investment decisions on sustainability factors.

The EU Sustainable Finance Disclosure Regulation ("**SFDR**") requires the Firm to make a "comply or explain" decision whether to consider the principal adverse impacts of our investment decisions on sustainability factors. The Firm has decided to comply with that regime.

This document is divided into three sections:

1. Information about our due diligence policy on the identification and prioritisation of principal adverse sustainability impacts and indicators (the "**PAI Policy**")

2. A description of the principal adverse sustainability impacts and of any actions taken or planned

3. A reference to our adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting.

This document may be updated from time to time. This document is provided for information purposes only. In the event of any inconsistency between this document and either (i) the PAI Policy, (ii) any other policy which is referenced in this document, or (iii) the terms of any agreement between the Firm and any of its clients, such other document shall prevail. No person should take (or refrain from taking) any action as a result of this document. To the maximum extent permitted by law, no liability is accepted by the Firm in respect of this document.

1. Information about the Firm's PAI Policy

1.1 The Firm has implemented its PAI Policy as from 10 March 2021, to set out how we identify and prioritise adverse sustainability impacts and indicators, in our investment due diligence processes. This section of the document summarises certain key provisions of the PAI Policy.

Scope of the PAI Policy:

1.2 The PAI Policy approaches sustainability from the perspective of the harm that our investment positions might do externally to sustainability factors, and what steps we take to mitigate that harm. This is based on our corporate sustainability values.

1.3 The Firm's investment professionals must apply the due diligence measures specified in the PAI Policy whenever they are making any investment decision.

1.4 The SFDR permits certain financial products not to comply with the firmwide principal adverse impacts policy, even where the management entity is generally complying with the principal adverse impacts regime. However, it is the Firm's policy that all products under our management will comply with the PAI Policy, with no exceptions made.

Principal adverse indicators – diligence phase:

1.5 Prior to making any investment decision, our investment committee (referred to below as the "**relevant investment professional**") are required to conduct investment due diligence on the proposed investment position. This investment due diligence will evaluate a variety of factors including (for the purposes of the PAI Policy) an assessment of how the proposed investment position is assessed against the following sustainability indicators:

Climate and other environment-related indicators

1) Carbon emissions, broken down by scope 1 and 2 emissions, from 1 January 2023: Scope 3 GHG emissions and Total GHG emissions

2) Carbon footprint

3) GHG intensity of investee companies

4) Exposure to companies active in the fossil fuel sector

5) Share of non- renewable energy consumption and production

6) Energy consumption intensity per high impact climate sector

7) Activities negatively affecting biodiversity- sensitive areas

8) Emissions to water

9) Hazardous waste ratio

Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters

10) Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

11) Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

12) Board gender diversity

13) Unadjusted gender pay gap

14) Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Additional Climate and other environmental-related indicators*

15) Investments in companies without carbon emission reduction initiatives

16) Investments in companies producing chemicals

17) Investments in companies without sustainable land/agriculture practices

18) Investments in companies without sustainable oceans/seas practices

19) Natural species and protected areas

20) Deforestation

Additional Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters*

21) Number of days lost to injuries, accidents, fatalities or illness

22) Insufficient whistleblower protection

23) Incidents of discrimination

24) Lack of due diligence

25) Number of identified cases of severe human rights issues and incidents

26) Lack of anti-corruption and anti-bribery policies

27) Cases of insufficient action taken to address breaches of standards of anti-corruption and anti- bribery

28) Rate of accidents

29) Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws

* Additional Principal adverse risk indicators will be added consequently and reported adequately in accordance with the standards provided in the SFDR and regulatory technical standards.

1.6 Having completed the diligence exercise, the required data points must be recorded in the investment submission. Such a record will show either the relevant quantitative data point, or confirmation that the data is not reasonably available or our conclusion that the metric is not relevant to the proposed investment.

Principal adverse impacts – investment phase:

1.7 Having completed the diligence assessment, the relevant investment professional is then required, when evaluating the merits of a proposed investment, to determine the extent to which the results of the diligence exercise should weigh on our investment decision, taking into account our sustainability values as articulated below.

1.8 The Firm applies its sustainability values by reference to objective limits for the extent to which we are willing, as an organisation, to allow our investment positions to adversely impact the sustainability metrics summarised above.

1.9 We define "adverse impact" as the point at which an investment position's measurement against a metric exceeds our permitted threshold. In setting these thresholds, the Firm has taken into account its intent to **prioritise** the adverse impacts which most strongly conflict with our corporate sustainability values. These thresholds are specified in the PAI Policy.

1.10 It is <u>not permitted</u> for the firm to make a proposed investment if the diligence on the sustainability metrics reveals that one or more than one of the specified adverse impact thresholds will be breached. The Firm will therefore decline to make such an investment, and this must be recorded in the investment submission.

1.11 Where a proposed investment does <u>not breach</u> any of the above adverse impact thresholds, the relevant investment professional will not be prohibited from making the relevant investment. The investment professional shall have complete discretion as to what decision to take, in light of the identified potential adverse impacts, and these steps may include the following mitigating actions (amongst other things):

(i) Making a decision <u>not</u> to invest in the proposed investment.

(ii) Making a decision to invest, but with a limited position size.

(iii) Making a decision to invest, but with an intention to engage with the management of the issuer to improve their business from a sustainability perspective.

(iv) Making a decision to invest, but with an intention to make offsetting investments to balance or hedge the adverse impact being done through this investment.

1.12 The investment professional shall be required to record their decision on what mitigating actions, if any, are appropriate to take.

2. **Description of the principal adverse impacts and action taken or planned**

2.1 SFDR requires the Firm to disclose a principal adverse sustainability impacts statement, which inter alia includes a description of the action which we have taken (or plan to take) in respect of any identified impacts. The Firm understands that this is an *ex-post* (or retrospective) report on actions taken in practice by the Firm to implement its PAI Policy.

2.2 The Firm will report on these matters on a calendar year basis by 30 June each year for the preceding period 1 January to 31 December as required by the applicable regulation.

3. **Adherence to responsible business codes and international standards**

3.1 SFDR requires the Firm to cross-refer to our adherence to responsible business codes and internationally recognised standards for due diligence and reporting. For these purposes, the Firm refers to its adherence to the following codes and standards:

- UN Sustainable Goals: 7 (Affordable Clean Energy), 9 (Industry, Innovation and Infrastructure) and 13 (Climate action)
- PRI Principles for Responsible Investment
- GRESB infrastructure
- Task Force on Climate-related Financial Disclosures (TCFD)
- UN Global Compact
- Internal Code of Conduct
- Business Partner Code of Conduct
- Diversity and Inclusion Policy
- Renumeration Policy
- Sustainability risks Policy