Sustainability Risk Policy

Financial market participant: Norvestor Investment Management S.à.r.l.
Legal entity identifier: 984500E3944EB10FBE07

EU Sustainable Finance Disclosure Regulation

The Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (”SFDR” or “the Regulation”) entered into force on 10 March 2021. The Regulation requires alternative investment fund managers (“AIFM”) like Norvestor Investment Management S.à r.l. (“NIM”) as an authorised AIFM 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 document specifically addresses 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.”

More information related to the SFDR, and NIM’s approach to ESG (Environmental, Social, Governance factors) and Responsible Investment in general, can be found at https://www.norvestor.com/disclosures

- Remuneration Policy in relation to the integration of sustainability risks
- Principal Adverse Impact Statement
- Responsible Investment Policy

Sustainability Risk

NIM uses the definition of sustainability risk as described in Article 2 (22) of the Regulation: “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 the investment”. NIM believes that the integration of sustainability risk considerations in the investment decision-making process is an important part of the risk management.

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

- Operational risks such as impacts of environmental events on operations.
- Governance risks such as inadequate management oversights of sustainability risks.
- Regulatory risks such as violations of ESG-related laws and regulations.

Norvestor also specifically considers climate change related risks and has integrated the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) into its ESG reporting framework in 2019.

Integration of sustainability risks in the investment processes

NIM has fully integrated sustainability risk assessments in its investment decision-making processes, as further described below. Initial Screening NIM conducts a pre-due diligence screening with the aim to identify and consequently avoid any investment that is currently, or likely to in the future, generate a significant share of its revenue from excluded industries or products involved in the following:

a. production, trade and/or distribution of cluster munition;
b. production, trade and/or distribution of tobacco;
c. activity of prostitution or procuring of prostitutes;
d. production, distribution or sale of pornography;
e. manufacture or marketing of casinos or other gambling activities;
f. thermal coal mining and extraction.

NIM will also reject any investment if a company is operationally or financially linked to a country, company or persons registered on relevant sanctions lists. Through this negative screening exercise, NIM aims to filter out potential investments that are likely to have significant adverse impacts on sustainability factors.

Besides negative screening, NIM also screens for companies with a potential to reduce their impact on the environment or to contribute towards environmental betterment. Furthermore, NIM looks for evidence that companies are responsible employers who look after their employees, promoting diversity and taking an interest in their local communities.

Due Diligence

NIM conducts a comprehensive ESG due diligence for each potential investment. Within the ESG due diligence, NIM assesses whether there are any red flags (e.g. unmanageable ESG risks) that should prevent NIM from proceeding with the potential transaction. Through this process, NIM identifies key sustainability risks (and opportunities) and defines appropriate mitigating activities.

Examples of sustainability risks assessed include, where relevant, inter alia, negative industry risks such as controversial business activities, carbon and climate impacts, ecosystems / circularity impacts, health & safety impacts, product impacts and supply chain impacts; and company exposure risks such as reputation and brand exposure. Within the proprietary ESG due diligence framework, NIM derives the likely impacts of sustainability risks on the financial returns graded in a qualitative manner on a low, medium, high scale.

Business Operations

NIM provides portfolio companies with the appropriate tools and guidance required to assess and manage sustainability risks. Throughout the ownership phase, NIM challenges and supports portfolio companies to enhance and further develop their ESG related achievements and disclosures. Action plans are created, performance and progress are monitored, and the action plans are continuously revised by the board of directors in the portfolio companies.

Reporting

Investors in funds managed from NIM are provided with an annual Portfolio Sustainability Report. Portfolio Companies' Sustainability Reports describe the relevance of ESG in the industry they are operating in, highlight the key material ESG themes, assess their performance on those themes, and provide an action plan that aims to reduce or mitigate risks and identify value creation opportunities.

The report is updated annually, to monitor progress and keep the portfolio company focussed on achieving its goal of becoming a more sustainable and future proof company over time. The reports are the result of an independent review by an external ESG & Responsible Investment consulting firm, commissioned and approved by the board and management of the portfolio companies.

The ESG framework and approach used to create the Sustainability Reports which covered key sustainability risks. Sustainability risks are often interconnected and evolve and change over time. As such, NIM monitors the landscape to ensure sustainability risks are being managed appropriately and that any emerging risks are taken into consideration. Review of the Policy This Policy will be reviewed at least once a year by the Management Committee under the supervision of the Board of NIM.

Version history

Version	Scope	Date
1	The initial publication of this disclosure	10 March 2021