**“NO PRINCIPAL ADVERSE IMPACTS CONSIDERATION STATEMENT” AND “SUSTAINABILITY RISKS POLICY”**

**FUNDROCK MANAGEMENT COMPANY S.A.**

JANUARY 2023

**Introduction**

FundRock Management Company S.A. (“FRMC”) is authorised by the *Commission de Surveillance du Secteur Financier* to provide UCITS Management Company/AIFM (Alternative Investment Fund Manager) services to a range of collective investment schemes domiciled in, but not limited, to Luxembourg, Ireland and France.

As per Regulation (EU) 2019/2088 (“SFDR”), FRMC is defined as a “financial market participant”.

Per Article 3 of SFDR, “financial market participants” shall publish information about their policies on the integration of sustainability risks in their investment decision-making process. “Sustainability risk” means 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.

Further, per Article 4 of SFDR a “financial market participant”, where the principal adverse impacts (“PAI”) of investment decisions are considered, is required to publish and maintain on its website a “statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available”.

This statement has been developed in accordance with the provisions of Article 4 and Article 12 of the Delegated Regulation (EU) 2022/1288, while also taking into consideration Article 7 of SFDR on the transparency of PAI at product level.

This is detailed in the pre-contractual disclosures in accordance with Article 6 of SFDR.

Further, the Funds for which FRMC acts as UCITS Management Company/AIFM, follow a number of different investment strategies with varying considerations of environmental, social and governance (ESG) and sustainability factors.

***Article 3 – Sustainability Risks***

In accordance with the Commission Delegated Regulation (EU) 2021/1255 and Commission Delegated Directive (EU) 2021/1270 of 21 April 2021, FRMC takes into account sustainability risks in the investment decision-making process.

The impact of sustainability risk events will vary depending on industries or services, regions, and types of assets. Specific sectors might be more impacted than others. Sustainability risks are integrated into the investment decision-making process by FRMC or the delegated portfolio managers under FRMC’s monitoring.

FRMC ensures as part of its due diligence process and ongoing oversight on its delegates that :

1. Sustainability risks are part of the Fund’s investment process;
2. Sustainability risks are considered as part of a broader analysis of individual issuers, using internal and external inputs in order to identify exposure to Sustainability risks, preparing for company engagement, and collaborating on new research inputs based on data provided by data providers. The factors which will be considered by the Portfolio Manager will depend on the security in question, but typically include ownership structure, board structure and membership, capital allocation track record, management incentives, labour relations history, and climate risks.
3. In assessing those risks, the Portfolio Manager draws upon a wide variety of internal and external research to assess any potential impact on the value of the assets over the time horizon of the Fund.

In instances where FRMC retains portfolio management and where an Investment Advisor is appointed, FRMC considers sustainability risks within their investment decision in respect of those funds, provided that the steps described in 1-3 are fulfilled. FRMC also acknowledges that in certain instances, the Investment Advisors may publish information on their own website in respect of sustainability risks integration.

FRMC has also enhanced its existing risk management framework to oversee the integration of sustainability risks.  The risk management will oversee the integration of sustainability risks by Portfolio Managers on an ex-post basis or ex-ante basis when FRMC performs portfolio management.

***Articles 4 & 7 – Principal Adverse Impact***

FRMC including its subsidiaries is below the 500 employees threshold set out in articles 4.3 and 4.4 of SFDR and does not consider Principal adverse impact (PAI) of their investment decisions on sustainability factors at entity level.

FRMC acting as Management Company and AIFM of many sponsors considers that non-financial data is still not available in satisfactory quality and quantity to allow it to adequately assess the potential adverse impact of all their investment decisions on sustainability factors in particular for unlisted assets.

However, as Funds, for which FRMC act as UCITS Management Company or AIFM, follow a number of different investment strategies with varying consideration of environmental, social and governance (ESG) and sustainability factors, PAI can be considered on case by case at the level of Funds.

Should Portfolio Managers wish to consider PAI in respect of the Funds in line with Article 7 of SFDR, FRMC shall ensure that:

1. The Delegated Manager has the appropriate infrastructure in place to report on PAI on an ongoing basis;
2. Where PAI are to be considered in respect of the Funds, the appropriate disclosures are made in the pre-contractual documents in line with SFDR by 31 December 2022;
3. The list of Funds for which PAI are considered is available on request;
4. The processes, systems and procedures in place to consider and report on PAI in respect of each Fund shall remain subject to FRMC’s periodic due diligence;
5. The Portfolio Manager also provides or publishes on its website appropriate disclosures in accordance with Article 4(1) and (2) of SFDR, while also considering the associated Regulatory Technical Standards once adopted by the European Commission, in respect of the Funds;
6. The periodic reports of the Funds contain sufficient and appropriate information in relation to the assessment of PAI.

Where PAI are not considered in respect of the Funds to which FRMC act as Management Company or AIFM, FRMC shall ensure appropriate disclosures are contained within the relevant pre-contractual documents. For further information as to why PAI are not considered in respect of a particular Fund, please refer to the prospectus/supplement of that Fund.

In instances where FRMC retains portfolio management, FRMC may consider PAI in respect of those funds, provided that the steps described in 1 to 6 of the above are carried out in an equivalent manner with appropriate disclosures made on its website. FRMC also acknowledges that in certain instances, the Investment Advisors may publish information on their own website in respect of PAI for the concerned Funds.

This position shall remain subject to ongoing review in line with market practice and regulatory developments. FRMC periodically reassess the integration of sustainability risks, PAI statements, policies adopted and reporting made in respect of the Funds to ensure their continued appropriateness.

These Statements are subject at least to annual review.

**For further queries relating to FundRock Management Company S.A. please contact:** [**FRMC\_CRM@FundRock.com**](mailto:FRMC_CRM@FundRock.com) **or Alternatives@fundrock.com**