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SUSTAINABILITY RISK POLICY

fundrock.com

FUNDROCK MANAGEMENT COMPANY (GUERNSEY) LIMITED

REMUNERATION POLICY

1. Objective and scope

This Sustainability Risk Policy (Policy) provides an overview of the approach to sustainability risk integration taken by FundRock Management Company (Guernsey) Limited (FMCGL) in our capacity, and in alignment with our regulatory responsibilities, as an alternative investment fund manager (AIFM).

Under Article 6 of the Sustainable Finance Disclosure Regulation (SFDR)[1], we are required to describe the manner in which sustainability risks are integrated into our investment decision-making processes. As we currently delegate day to day investment management of our funds, we look to our investment advisers (Investment Advisers) to implement and adhere to their own sustainability risk policies and processes in respect of each fund.

FMCGL recognise the importance of environment, social and governance (ESG) issues and the material impacts they might have on the funds we manage (including capital raising, making investments, portfolio management and value creation at portfolio company level, as well as their potential material impact on the world and the society).

Our approach to integrating sustainability risks into the investment decision-making approach also recognises that our funds will not be subject to the same ESG issues throughout their lifecycle and that the relevant risk considerations will depend on, for example, the strategy, asset classes, investment locations and risk appetite of each fund. Our approach provides a flexible framework that supports varied implementation, allowing Investment Advisers to apply the sustainability risk integration approach, with our oversight, they consider is most relevant for the products they manage for us on a day-to-day basis.

As such, this Policy applies to all funds where we act as AIFM, unless the management body of a fund, or the Investment Adviser appointed by us has provided us with a fund specific policy setting out the manner in which sustainability risks will be integrated into the decision-making process. In that case, provided that the Investment Adviser's policy is accepted by us, that policy will be published on the relevant fund's website and referred to in the fund documentation.

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[1] 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

Our approach to sustainability is always evolving as we develop our policies and processes regarding our Investment Advisers and, as such, this Policy will continue to evolve over time and will be reviewed and updated regularly.

This Policy should be read in conjunction with all other policies we are required to have in place under the relevant legislation, AIFMD[2], and the remuneration policy we are required to have in place under AIFMD.

2. Oversight and governance

It is our responsibility as an AIFM to carry out robust governance, monitoring and oversight of our funds and of our Investment Advisers. Our approach is explained throughout this document. In summary, we will:

- consider sustainability risks as part of our initial and ongoing due diligence on Investment Advisers including the manner in which that Investment Adviser integrates sustainability risks into its investment decision-making process; and

- carry out ongoing monitoring of our Investment Advisers' approach to the integration of sustainability risks. This may include the receipt of periodic reporting on the Investment Adviser's approach to sustainability risks and, where relevant, the impact of sustainability risks on the fund(s) managed by that Investment Adviser.

The application of the principles of our AIFMD remuneration policy are considered against, and are consistent with, the integration of sustainability risks as required under Article 5 of SFDR. The manner in which all relevant risks are integrated and applied in the setting of, in particular, variable remuneration is well defined within the remuneration policy. We have updated our remuneration policy to explicitly state that this Policy should be part of that consideration, and that the risks, including any assessment of performance risk, should by definition include sustainability risks.

3. Our approach to sustainability risk integration

A sustainability risk is any ESG event that, if it occurs, could or will have a material negative impact on the value of our funds' investments and therefore on investors' returns.

Sustainability factors include environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters.

The integration of sustainability risks into the investment decision-making process allows us to gain a more comprehensive understanding of both the risks and the long-term opportunities arising from these factors, helping our funds to deliver attractive risk-adjusted returns to their investors over the long term.

[2] Directive 2011/61/EU on alternative investment fund managers

We believe that engaging with target issuers and portfolio companies on ESG issues is often a key factor for properly identifying investment opportunities, managing investment risks, monitoring assets in a portfolio, ensuring long-term financial and non-financial sustainability. We consider that developments in sustainability disclosures will contribute to a capital shift towards sustainable investments for the benefit of society as a whole.

As such, we expect our Investment Advisers to have in place an investment policy and process that includes consideration of the sustainability risks that could impact the risk and return profile of current and potential investments of the funds on which they advise.

We recognise investors' needs in this area are expanding, and their own stakeholders are demanding a formal adoption of sustainable investing practices. Our commitment to implementing and continuously developing our own sound practices is consistent with our responsibility as an AIFM.

4. Excluded strategies

Currently, consideration of sustainability risks may not be systematically integrated into the investment decision-making process for certain funds where we believe, together with the Investment Adviser, that they are of limited relevance as a result of the particular asset class or strategy. Where this is the case, this will be disclosed in the fund documentation and the remainder of this Policy should be construed accordingly. The rationale for the exclusion of particular funds from this Policy will be reviewed at least annually to ensure that the rationale for the exclusion remains appropriate given the evolving nature and availability of sustainable investments.

5. Continuous integration of sustainability risks

We expect our Investment Advisers, other than with respect to Excluded Strategies, to make decisions in line with their stated investment philosophy, including their stated approach to the integration of sustainability risks. Subject to our governance and oversight responsibilities, each Investment Adviser has responsibility for its own investment process, from research through implementation.

Subject to any particular exceptions as noted below, we expect our Investment Advisers to:

a) have the appropriate capabilities to carry out robust sustainability risk integration processes to take into account material sustainability risks;

b) implement their own detailed sustainability risk policy suitable to the fund or funds they manage;

c) where relevant, and in line with the timing requirements of SFDR, to implement a due diligence policy with respect to the consideration of principal adverse impacts of investment decisions on sustainability factors;

d) identify, consider, and incorporate material sustainability risks and factors to the extent they reasonably consider appropriate as part of their overall ongoing investment process and when carrying out initial due diligence on each investment;

e) where possible and required by relevant regulations, collect ESG data and reporting on their portfolios and to produce periodic ESG reporting on the funds.

We assess each Investment Adviser's approach to sustainability risk integration on an ongoing basis. This consideration will range from ESG specific questions at the selection phase to annual monitoring of sustainability risk integration. We also carry out periodic due diligence to ensure that Investment Advisers have their own robust sustainability risk integration policies.

a. Pre-investment due diligence

As part of the due diligence process, we assess our Investment Advisers approach to:

- identifying, verifying, and assessing sustainability risks and factors material to an investment and how they incorporate these issues into their investment analysis and decision-making process. This process may influence their valuations and portfolio construction decisions, where relevant.
- using internal and/or external ESG research, data, and other relevant methodologies to support their due diligence analysis. Investment Advisers may also consider the responses of investee company management teams to inquiries focused on their ability and willingness to manage ESG issues.
- documenting their conclusions about the materiality of sustainability risks and factors in relation to their investment decisions.

Investment Advisers, taking into account the philosophy of the relevant fund and all material financial and non-financial factors, may choose not to invest in any potential investment that they have assessed to pose a material sustainability risk.

b. Portfolio Monitoring

Once an investment is made, whether or not sustainability risks were identified in the due diligence process, we expect our Investment Advisers to:

- continuously monitor all material aspects that could impact an asset or company, including sustainability risks and factors
- inform us immediately on the identification of any material sustainability risk
- conduct, on a periodic basis, reviews of individual investments or portfolios, and engage with us on potential sustainability risks
- implement mitigation and engagement plans where sustainability risks have been identified
- provide us with regular reporting on the ongoing monitoring of the relevant investments and funds to allow us to fulfil our own regulatory obligations with regard to governance, oversight, and reporting

- where relevant, to carry out engagement and stewardship strategies in order to improve the sustainability characteristics of their funds

6. Principal Adverse Impacts

SFDR requires an AIFM to make certain disclosures on its website explaining whether they consider principal adverse impacts of investment decisions on sustainability factors (PAI).

From 30 December 2022, an AIFM is required, inter alia, to disclose for each fund it operates whether, and if so how, that fund considers principal adverse impacts on sustainability factors.

We do not currently consider the PAI of investment decisions on sustainability factors as we consider that for the strategies and funds operated by us, either PAI are not relevant or there is currently a lack of available and reliable data for us to report in this in the detailed way that SFDR required.

We will continue to review and consider our obligations on PAI disclosures as noted above and will update all relevant documents with the necessary disclosures in accordance with the requirements of SFDR. Investment Advisers may already take PAI into account (even if not currently fully in line with SFDR requirements) and, where this is the case, it will be disclosed in the relevant fund documentation.

7. Transparency and Disclosure

All disclosures required by SFDR will be maintained by us and/or the relevant Investment Adviser. We anticipate that these disclosures will evolve over time as the SFDR requirements are embedded throughout our operations.