

## Information on

### The ‘no consideration’ of principle adverse impacts of investment decisions

## 1. The AIFM

Paddock Fund Solutions SA (the “AIFM”) is a Luxembourg based public limited liability company registered with the CSSF as AIFM registered pursuant to the Luxembourg law of 12 July 2013 on alternative investment fund managers (hereinafter "AIFM Law"). Within its function as AIFM, Paddock Fund Solutions SA is entrusted with the management as alternative investment funds (hereinafter "AIF" or "alternative investment funds") of our clients.

## 2. Sustainability-related disclosures in the financial services sector

On 27 November 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector (hereinafter "SFDR") was published and entered into force on 10 March 2021.

The main objective of the SFDR is to create transparency on

- a) how sustainability risks are considered in the management of AIFs; and
- b) if principal adverse impacts of investment decisions on sustainability factors (“comply or explain”) are considered in the management of AIFs.

These transparency requirements apply in principle to both, the AIFM as well as the alternative investment funds managed by the AIFM.

## 3. Purpose of this document

This statement explains the AIFM’s decision not to consider principal adverse impacts (hereinafter "PAIs") of investment decisions on sustainability factors for the time being.

On 22 October 2021, the European Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) - the European Supervisory Authorities “ESAs” - jointly submitted to the European Commission draft Regulatory Technical Standards (RTS) with regard to the content and presentation of disclosures under Articles 8(4), 9(6) and 11(5) of “SFDR”. The aforementioned Articles were inserted in the SFDR through Article 25 of Regulation (EU) 2020/852 (the “Taxonomy Regulation” or the “TR” which amends the SFDR. The ESAs have amended the pre-contractual disclosures under Article 17 and Article 24 SFDR RTS for Article 8 and Article 9 SFDR products to include not only information on whether, but also on how, a financial product considers principal adverse impacts on sustainability factors.

The ESAs have proposed some targeted revisions to the pre-contractual and periodic disclosures (e.g. templates):

- a) the information at the beginning of the mandatory templates for the pre-contractual and periodic disclosures included in Annex II should identify whether sustainable investments are environmental or social and for environmentally sustainable investments, whether the investments are taxonomy-aligned. In addition, the statement should identify whether the financial product considers principal adverse impacts;
- b) Pre-contractual disclosures to include not only information on whether, but also on how, a financial product considers principal adverse impacts on sustainability factors

The AIFM has not yet implemented a systematic assessment of principal adverse impacts of its investment decisions within the meaning of the SFDR.

The AIFM, together with the Investment Advisor/delegated Portfolio Manager, may not always be able to quantify/qualify/assess all of the adverse impacts of its investment decisions on sustainability factors, mainly due to the lack of availability of harmonized, consistent and reliable data. As of today, the AIFM, together with the Investment Advisor/delegated Portfolio Manager, continues to review and analyze its obligations with respect to whether it considers principal adverse impacts of investment decisions on sustainability factors as set out in Article 4 of the SFDR.

The decisions and disclosures in relation to Articles 4 and 7 will be made taking into account the deadlines of the SFDR and similarly any disclosures will be included in a future version of the AIFs pre-contractual information, as required.

In particular, the AIFM, together with the Investment Advisor/delegated Portfolio Manager, awaits further consultation and/or guidance. The application of the Taxonomy Regulation which is further determining the provisions of the SFDR has been delayed by the European Commission, which is confirming that the date of application of this delegated act is deferred to 1 January 2023. With respect to the publication of the Principal Adverse Impact at entity level as per article 4 (1) a) of the Sustainable Finance Disclosure Regulation, the European Commission has confirmed that entities will have to comply with those requirements by 30 June 2023, with a first reference period from 1 January 2022 to 31 December 2022.

## 4. Policy review

This policy will be reviewed and updated annually, and on an ad hoc basis in case of relevant changes to the organizational structure of the AIFM, in case of amendments to the regulatory framework governing this policy or if otherwise deemed necessary.

The AIFM expects to perform its next review as of 31 March 2023, with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a (3), Article 4 (6) and (7), Article 8 (3), Article 9 (5), Article 10 (2) and Article 11 (4) of the SFDR shall be applied.

Philip Christ (Policy Owner)/ Board of Directors (Validation body)

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