



ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE (ESG) AND  
SUSTAINABILITY POLICY

A&G LUXEMBOURG AM



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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AND SUSTAINABILITY POLICY

## DOCUMENT HISTORY

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8 <sup>th</sup> December 2022	V1.0	Draft for Approval	Risk Management Function
13 <sup>th</sup> December 2022	V1.0	Approved	Board of Directors

## I. Introduction and scope

This document sets out the Environmental, Social and Governance (ESG) And Sustainability Policy of A&G LUXEMBOURG AM, S. A. and its branches (hereinafter, the "AIFM", the "Company" or "A&G") and in relation to the disclosure obligations regarding the integration of sustainability risks and the analysis of adverse impacts of sustainability indicators (hereinafter, the "Policy").

The Policy aims to comply with the requirements set out in 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 ("Disclosure Regulation" or "SFDR") and its implementing regulations in relation to the management of collective investment undertakings (hereinafter, "Funds") carried out by the AIFM.

Therefore, this Policy establishes:

- The general principles of sustainability risk integration and key concepts.
- The sustainability risk integration process; and
- The internal governance of the entity in relation to sustainability risk integration obligations.

## II. General principles of sustainability risk integration and key concepts

The AIFM considers the risks inherent to the potential investments. These risks include not only traditional financial risks, but also extra-financial or ESG risks (environmental, social and governance) as they may affect the risk/return ratio of the investments.

**Sustainability risk** or **ESG risk** should be understood as any environmental, social or governance event or condition that, if occurs, could cause a negative material impact on the value of the investment.

The assessment of **sustainability factor** allows for better information on investments and thus, better management of potential risks. Sustainability factors mean any information on climate and other environment related issues, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters.

## III. Sustainability risk integration process

When making investment decisions, extra-financial information should be taken in consideration to allow an adequate integration of sustainability risks. This information could be obtained by:

- Internally through company knowledge or active dialogue activities or through specific questionnaires (investment due diligence) or
- Through information provided by third parties (ESG data providers), publicly available information or others.

The information may be either quantitative (based on ESG indicators scores) or qualitative (relating to management strategies, companies' environmental and social policies, ESG risk integration strategies, etc.).

Portfolio Management Function takes investment decisions based on the analysis of the information obtained (that could include an ESG score assigned to each investible asset or company, subject to certain discretion which must be duly justified).

Once the decision to invest in a particular asset or company has been made, the AIFM will track and monitor the progress of ESG indicators over the life of the investment.

The details of this sustainability risk integration process for the different types of investments, ESG scoring and applicable thresholds, etc. are developed in the internal policies and procedures of the AIFM.

For some particular investments, duly justified and documented, this extra-financial information on sustainability might not be considered, either because of specific strategies or because of the typology of the assets invested in.

## IV. ESG Governance

The **Board of directors** of the AIFM, as per the **Governance Policy** of the AIFM, integrates as appropriate sustainability standards and objectives including environmental, social and governance (ESG) criteria in the business model and operations.

The AIFM is fully committed to sustainability. Senior management is involved in the design and review of the ESG policy and procedures:

- The **Board of Directors** is ultimately responsible for the implementation of the Policy. To this end, the Board will provide the AIFM with the human and material resources necessary for the proper achievement of the Policy's objectives.
- **Portfolio Management** performs first level controls on the ESG risk integration. They ensure that the risk-taking thresholds and limits are considered.
- The **Risk Management Function** is responsible for monitoring the performance of the Investment team to ensure that the ESG risk integration process is considered and that investment decisions take into account these risks.

The **Portfolio Management Function** is responsible for carrying out the ESG risk integration process.

## V. Promoting sustainability in the Entity

The AIFM is signatory to the United Nations Principles for Responsible Investment (UNPRI). Through this signature, the AIFM is part of a growing global framework that aims to build a sustainable financial system and incorporate ESG criteria into investment decision-making processes.

These are the 6 principles of the UNPRI:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the Principles.
6. Report on our activities and progress towards implementing the Principles.

## VI. Voting rights policy

The AIFM does not have a majority of votes in any undertaking, making it unable to take relevant decisions. Positions are generally representing only a minority position. As per the current **Strategies Policy for Exercising Voting Rights**, on the ground that any AIFs holds positions driven by due diligence processes in the directive team of the target undertaking, as a general rule, the AIFM will delegate its right to assist and voting rights to the AGM, to the chairman of the board or of the General Meeting or to any other member of such body, without indication of the sense of the vote.

However, when the Investment Committee considers it necessary for better defending the rights of the AIFs and its shareholders, it will assist to General Meetings and exercise the voting right exclusively for the benefit of the AIF, considering the intended term of the investment and the benefit in such term.

When exercising the voting rights, the AIFM will ensure that the exercise of the voting rights is in accordance with the investment objectives and policies relevant in an ESG context, preventing and managing any potential conflict of interest arising from exercising the aforementioned voting rights. Such instructions of the voting rights will be done after all the necessary due diligence has been performed.

## VII. Remuneration policy

The Company's remuneration policy is aligned with the long-term nature of the business and will ensure that they do not remunerate or evaluate the performance of their staff in a way that conflicts with their obligation to act in the best interest of their clients taking into consideration environmental, social and governance ("ESG") risks, and the transparency obligations under SFDR.

With regard to ESG, the Company will incorporate sustainability-related metrics in the calculation of staff's variable remuneration, linked to the strategic priority of its commitment to the transition to a sustainable future, and which are directly related to the Company's activity.

## VIII. Consideration of Principal Adverse Impacts (PAI)

The AIFM has decided not to consider directly and at its level the adverse impacts of investment decisions on sustainability factors, within the meaning of Article 4(1)(a) of the SFDR, due to the size of the Company and there is no sufficient amount of data available of satisfactory quality to adequately assess the potential adverse impact of investment decisions on sustainability factors.

The AIFM might reconsider its position in the future depending for certain funds, in which case the Policy would be updated.

## IX. ESG Reporting

The AIFM will disclose on the website information on the degree of implementation of the policy, at least on an annual basis, especially on voting rights, the most significant votes in which they have participated and, if applicable, the use of proxy service advisors. In addition, information will be provided on the voting behavior at the general meetings of the companies in which it holds shares through the managed portfolios, if they have been exercised.

## X. Article 8 and 9 AIFs

For those AIFs that AIFM manages that (i) promote environmental or social features or a combination of both, among others, or (ii) aim at sustainable investment and have a designated benchmark, any additional information required in respect of such AIFs under Article 10 of SFDR shall be provided upon request to AIFM.