

Sustainability-related disclosure: Statement on Integration of Sustainability Risks

1. Introduction and purpose of the statement

This Statement is published by Finance in Motion Asset Management S.à.r.l. (the Company) on its website in accordance with Articles 3 and 5 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial service sector (also known as Sustainable Finance Disclosure Regulation, SFDR). The purpose of this Statement is to provide transparency on the policies on the integration of sustainability risks (i) in the investment decision-making process when the Company acts as a financial market participant, and (ii) in the investment advice when the Company acts as a financial adviser, as well as on remuneration in relation to the integration of sustainability risks. ‘Sustainability risk’ as defined by the SFDR 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 the investment.

The Company acts as an alternative investment fund manager (AIFM) providing portfolio management services vis-à-vis alternative investment funds (AIFs) and as investment adviser vis-à-vis several other AIFs. Each AIF has a distinct sustainable investment objective (also referred to as ‘impact objective’). Investment operations of each AIF are geared towards this specific impact objective defined by the AIF.

To minimize risks and to support the attainment of the AIFs’ sustainable investment objectives, the origination of assets is supported through specialized expert teams, some of which operate in the countries of asset location with deep market know-how and insights into the operating environment, including environmental, social and governance (ESG) frameworks.

2. Integration of sustainability risks in investment decision-making and investment advice

The AIFs are exposed to sustainability risks primarily through their exposure to and ongoing association with their investees. AIFs investing in financial intermediaries are also indirectly exposed to sustainability risks via the loan portfolios of these financial intermediaries, i.e., their clients’/ borrowers’ operations.

Sustainability risk management is integrated into the ESG, investment and risk management policies of the Company and the respective AIFs. In line with these policies, the Company integrates ESG considerations into investment decision making processes and investment advice, including during origination, structuring, investee monitoring and asset valuation.

Investment criteria include specific negative screening criteria (such as adherence to the E&S Exclusion List of the respective AIFs) and positive screening criteria that require assessing the investee’s E&S risk management capacity and good governance practices. Those criteria and screening processes follow relevant international standards and/or initiatives. Applying these criteria does not only serve to identify and manage sustainability risks but it allows to avoid and mitigate sustainability risks already during investment selection.

Investment evaluation comprises a thorough ESG due diligence, including the use of data intelligence to identify high-risk factors, which may impact the reputational and/or financial risk of the investment. Enhanced due diligence is performed for material ESG risks identified, including for climate risks where applicable. Where deemed necessary, an additional external independent background study is commissioned to assess such risks and mitigation measures.

Credit risk evaluation incorporates consideration of ESG risks that can affect investees. The measurement of such risks is ensured via integrating such identified ESG risks into the internal credit rating analysis of each investee and investment. Results of the ESG due diligence and the impact of ESG factors on credit rating form an integral part of investment proposals and subsequent valuation of respective debt investments. Where ESG risks are not deemed to be sufficiently mitigated, an investee will not be proposed for investment.

Engagement with investees is an essential component of the investment process. This engagement often includes (but is not necessarily limited to) ESG matters. Where appropriate, i.e., in cases where investees are assessed as requiring improvement in ESG management, technical assistance or capacity building is structured and proposed to the respective governance bodies.

Monitoring and reporting of ESG factors is part of the regular portfolio monitoring procedures which entail the monitoring of ESG related reputational risks and compliance with ESG requirements of the respective AIFs as well as require regular review of investees, based on their risk profile – e.g., high-risk investees are monitored more intensively.

Potential sustainability risks are also given strategic and systematic consideration in developing new products and in supporting the AIFs in the evaluation of new financial instruments, the creation of new sub-funds, or entry into new countries of operation.

To fulfill its duties with respect to sustainability considerations, a Sustainability Division with qualified staff members is involved in the relevant steps in the investment cycle advising on the various ESG commitments of the AIFs and assessing potentially credit relevant ESG factors. Staff of the Sustainability Division receive regular expert trainings on ESG risks and trends. Moreover, investment and credit risk staff receive induction and periodic refresher training on ESG risk assessment.

3. Remuneration

Remuneration of the Company as AIFM and as investment adviser is tied to both, quantitative targets and qualitative, sustainability-related targets. Equally, variable compensation of relevant staff is based on the achievement of a broad set of quantitative and qualitative key performance indicators and does not encourage excessive risk-taking, including with respect to sustainability risk.

Annex: Version history

Version date	Description of the change
9 March 2021	First publication in accordance with Article 3 SFDR
21 December 2022	Reference to Article 5 SFDR specified in Introduction
01 January 2025	Updates to the statement to reflect the role of Finance in Motion Asset Management S.à.r.l. as AIFM and financial adviser vis-à-vis AIFs