

SUSTAINABLE INVESTMENTS

Integration of sustainability risks at Privium

May 2024

Art 3 SFDR Regulation (EU) 2019/2099

Introduction

The SFDR Regulation prescribes that Privium Fund Management B.V. (Privium) disclosures on sustainability, this includes disclosure on the integration of sustainability risk.

Privium defines a sustainability risk as an environmental, social or governance event or condition that, if it occurs, could potentially or actually cause a material negative impact on the value of investments. As the identification, assessment, and monitoring of sustainability risks in our Funds is an ongoing exercise that requires collaboration and communication across the company and relevant stakeholders, we apply a consistent framework to integrate sustainability risk analysis into the core of our investment activities.

Integration of sustainability risk

Events and circumstances in the world could have impact on the value of all investments. As this is also applied when it comes to sustainability risks, we have implemented a Sustainability Risk Policy which forms part of the Compliance Handbook.

For all the investments by our Funds we identify and assess the sustainability risks of the investments, analyze the potential impact on the investment's value and record the considerations. How this is done depends on the type of strategy and investments the Fund pursues. The identification and assessment of sustainability risk is part of the initial due diligence process of the respective investment, within the boundaries as set by the Global Risk Management Framework, the Due Diligence on Investments policy and the Sustainability Risk Policy, and as further explained in our Compliance Handbook. Also, the sustainability risks in the portfolio are monitored on an ongoing basis.

For each investment risk that Privium has identified, Privium records a description of the risk. Control measures have been taken by internal procedures and the use of a data collection tool. Monitoring takes place on a monthly basis and the monitoring of the control measures is part of the annual compliance monitoring.

Sub-sector approach

To decide which (type of) sustainability risks need to be focused on in the analysis of the different asset classes, we apply the concept of materiality. Sustainability risks are deemed material if they are likely to have a significant impact on an investment's value. The relevance of sustainability risks can differ per type of investment, financial sector and even sub-sector or individual investment. How these factors are applied and monitored therefore differs per type of strategy and investments the Fund pursues.

Not all sustainability risks may have a material negative effect on the value of an investment. Also, the relevancy of each sustainability risk may differ based on the economic sector the investment is active in. Therefore, the Materiality Map of the Sustainability Accounting Standards Board (SASB) is applied to determine which sustainability risks are material to consider in the investment decision making process.

SASB has identified over 25 sustainability risks divided across the E, S, and G topics. Here five industry-specific sustainability dimensions have been defined: (1) Environment, (2) Social Capital, (3) Human Capital, (4). Business Model and Innovation, (5) Leadership and Governance.

Depending on the economic sector the investment is active in, these risks are marked either: 1) not material, 2) not likely material, 3) likely material. For a risk to be classified as likely material, SASB has found that for over 50% of the companies active in that sector, the risk has a significant impact on the financial position or operational activities.

Data collection platform

Privium uses independent software for its data collection, reporting and monitoring of the various sustainability risk exposures, sensitivities and changes in impact metrics. Privium decided to use external software given the complexity and the need for standardization of data collection for different asset classes.

The results of the sustainability risk analysis are recorded in the software. Each material sustainability risk of each investment receives a score. When an investment is added to the portfolio of a Fund, Treety generates a data request to the responsible person to add the scores. In addition, Treety will regularly request actualization of the data in line with the monitoring requirements of the individual funds.

The identified sub-sector and scores with the score explanation given are reviewed under a four-eye principal. The scores are converted into a numerical value within Treety to calculate the Fund's sensitivity towards sustainability risks. The data related to a Fund's

exposure to sustainability risks is used to generate SFDR article 6 reporting on a Privium aggregate, individual fund, specific holding, and individual sustainability risk level. The reporting data is used by the Risk Management function to perform monitoring activities.

Monitoring

On a monthly basis, the sustainability risk exposures for investments of the various Privium Funds are reviewed and updated if and when applicable. Here, material changes to the individual sustainability risks of an investment are not expected to occur often. An update of the estimated sensitivity of the value of the investment to a sustainability risk might be triggered by a change in the policies and practices of the investment, or by a significant incident regarding the sustainability risk.

The material sustainability risk exposures and the concentration of high sensitivity investments in the Fund are part of the risk management policy of the Fund Manager and are monitored on a monthly basis. Any change in the identified sustainability risks during the monitoring and the related score are logged and documented in Treety.

The Risk Management function monitors the completeness of the Fund's sustainability analysis as well as the concentration of environmental social and governance risk per Fund.

Depending on the valuation frequency and monitoring cycle of the Fund, the sustainability risk analysis is reviewed and updated when applicable by Privium's Risk Management function in close cooperation with the Fund Management team of Privium.

ESG committee

To manage Privium's implementation and execution of the sustainability risk policy, an ESG committee has been set up. Privium's board as well as the Fund Management team is represented in the committee. The committee members receive regular compliance training on SFDR and sustainability topics.

The committee's responsibilities are:

- Monitoring and driving implementation of new or updated sustainability regulations and defining the action items as a result.
- Monitoring of all ongoing SFDR related action items that have been defined.
- Communication with the compliance and risk function regarding new or updated sustainability regulations.
- Ownership of Privium's Sustainability Risk Policy.