

## **Public Disclosure on our Policy on the Integration of Sustainability Risks in the Investment Decision- Making Process [Article 3 SFDR] & Sustainable Finance Disclosure Regulations [Article 6 SFDR]**

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### **Sustainable Finance Transparency**

The European Union has introduced a series of legal measures (the primary one being the Sustainable Finance Disclosures Regulation (Regulation (EU) 2019/2088) ), "SFDR") requiring firms that manage investment funds to provide transparency on how they integrate sustainability considerations into the investment process with respect to the investment funds they manage.

Considering the current relatively 'limited' scale, group of investors and size of the closed -end funds across the various CAPE investment platforms, team and strategy, CAPE considers that it falls within the scope of Article 6 of SFDR, as it does not actively promote environmental or sustainable characteristics for its funds & products or have an explicit sustainable objective.

The investments underlying the CAPE funds do not take into account the EU criteria for environmentally sustainable economic activities.

### **Our Approach to Sustainable Investment & Risks [Article 3 SFDR]**

Cape Investment Partners and/or its affiliates ("CAPE") strives to limit adverse impacts on ESG factors for all its investments. As ESG risk is every environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. CAPE is aware of the material impacts ESG events or conditions may cause to the funds managed and deems ESG risks to be relevant to all the funds managed.

CAPE has developed its ESG process to align with the UN's six Principles for Responsible Investment (PRI). CAPE takes a holistic approach to ESG considerations, which largely avoids formal screens and concentrates instead on selecting

investments,(third parties) fund managers or portfolio companies that share our commitment to high standards on ESG issues.

Furthermore, at the core of our commitment to help our investors achieve their financial objectives is the conviction that this can be achieved by investing responsibly. Therefore, CAPE implemented a robust and tailored process for the handling and monitoring of ESG risks in its pre-trade and post-trade assessment process.

### Integration of ESG Risks

CAPE ensures as part of its due diligence process and ongoing oversight that ESG risks is an integral part of the fund's investment process. ESG risks are considered as part of a broader analysis of individual issuers, using internal and external research data helping to identify exposure to ESG risks, preparing for company engagement and collaborate on new research inputs based on data provided. The factors which will be considered by the Portfolio Manager will depend on the security in question, but typically include ownership structure, board structure and membership, capital allocation track record, management incentives, labour relations history, climate risks and other pre-determined environmental, social or governance conditions. This can result in the exclusion of certain business activities and sectors from CAPE's investment solutions.

CAPE applies a basic set of exclusions across all of its portfolios. Exclusions vary from zero-tolerance issues, such as:

- human rights violations, modern slavery, human trafficking, child labour or gender discrimination;
- companies that do not comply with global norms such as the UN Global Compact Principles and International Labour Organisation Conventions;
- manufacturers of controversial weapons;
- sensitive business activities that require additional investment scrutiny such as certain entertainment, gambling services and/or consumer goods; and
- companies that derive revenue from thermal coal, unconventional oil and gas such as arctic oil, shale gas or oil sands.

Additional corporate governance and human rights-based exclusions are also applied across a range of our Investments (i.e. products). This list is non-exhaustive and can be subject to change.

In assessing these risks, CAPE draws upon a wide variety of internal and external research to assess any potential impact on the value of the assets over the time horizon of the Fund. CAPE may use a number of different tools and data sets to embed ESG considerations into the asset selection and portfolio construction of the which may include the use of ESG metrics of third-party data providers in order to screen the relevant investment against ESG risk by applying an exclusion policy (whereby potential investments do not meet certain ESG criteria).

Furthermore, data sources and providers are assessed on an ongoing basis for data quality, coverage and other relevant attributes.

Next to the above-described exclusion screening, CAPE may also perform an inclusionary screening in its investment decision-making process which is normally done after exclusions considers potential ESG factors. The inclusionary screening could be done by assessing the relative ESG rating provided by data providers and a fund manager may consider selecting an investee company that may positively contribute or have a high positive impact on the various ESG factors (i.e. environmental, social or governance).

### **Consideration of principal adverse impacts (SFDR Article 4)**

CAPE does not consider Principal adverse impact (PAI) at entity level due to the relatively 'limited' size of the funds across the various investment platforms. Furthermore, most of CAPE's portfolio companies/ investments currently are not obliged to disclose the data of the PAI indicators. Where PAI are not considered, CAPE shall ensure appropriate disclosures are contained within the relevant pre-contractual documents.

CAPE however remains to have the ambition to report on PAI's conform SFDR and will follow closely market practices, and future regulatory changes and discuss the required disclosed information with its investees to assess the feasibility of meeting the SFDR requirements and thus changing its current statement.

### **Sustainable Finance Disclosure Regulation, "Pre- contractual Disclosure" (SFDR Article 6)**

CAPE has integrated ESG risks into its discretionary investment decision-making process by applying various ESG approaches. As active owners we engage investees and fund managers, both individually and collaboratively, to seek to create positive social or environmental impact. As such we are transparent on our ESG policies and the results we achieve. In this respect further reference is made to our Environmental and Social Policy Framework which has been incorporated into specific procedures across our organization and the investment cycle.

In practice CAPE applies amongst others the following ESG approaches:

- Integrating ESG criteria when formulating our portfolio allocation strategy and in defining our investment opportunities. For this assessment we use external ESG data providers as well as proprietary models.
- Exclusion or avoidance screening is often our first step in the ESG integration and divestment from those exclusions is widely used. At a basic level, controversial sectors such as companies that do not comply with global norms such as the UN Global Compact Principles and International Labour Organisation Conventions,

manufacturers of controversial weapons or sensitive business activities that require additional investment scrutiny are excluded.

- Inclusionary screening which is normally done after exclusions considers potential ESG factors.
- Assessment of the positive or negative impact of integrating ESG factors into the investment decision-making process; and/ or highlighting the negative impact of not including ESG issues, such as for example: carbon emissions, stranded assets risks and controversies, in the investment decision-making process. Both approaches are considered with respect to different client preferences when it comes to sustainability, and to the specific characteristics of each asset class. As well as the impact of ESG risks on returns, each assessment reflects the impact on other risks, the costs and the governance implications.

Furthermore, with respect to our ESG approach in the investment decision-making process, we also take ESG factors into account by assessing potential investments investee companies on the following aspects;

- Organisation and beliefs
- Risk attitude and ambition
- Strategic policy
- Annual policy
- Portfolio construction and manager selection
- Portfolio monitoring and adjustment
- Administration, reporting and justification

The likely impacts of a ESG risk may be numerous, unforeseen and can vary depending on the specific risk and asset class. To the extent that a ESG risk materialises, or materialises in a manner that is not anticipated by CAPE, there may be a sudden, material negative impact on the value of an investment.

### **Further Information**

This Public Disclosure is issued for informational purposes only. This Public Disclosure is not intended as investment advice and is not an offer or a recommendation about managing or investing assets and should not be used as the basis for any investment decision. The information contained herein is current as of the date of issuance and is subject to change without notice. We do not make any express or implied warranties or representations as to the completeness or accuracy or accept responsibility for errors. Past performance is not a guarantee, or a reliable indicator of future results and an investment could lose value.

The information material was issued by Cape Investment Partners ( Herengracht 448 , 1017CA Amsterdam) and/or its affiliates performance.

This Public Disclosure shall remain subject to ongoing review in line with market practice and regulatory developments. CAPE shall periodically reassess the integration of ESG risks, PAI statements, policies adopted by the fund/ Portfolio Managers and reporting made in respect of the funds to ensure their continued appropriateness.