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**SUSTAINABILITY RISK POLICY –  
ARTICLE 3 OF THE SUSTAINABLE FINANCE DISCLOSURE REGULATION (“SFDR”)**

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## 1. INTRODUCTION

Dedalo Management S.à.r.l. (the “**Company**”) is a Luxembourg-based asset management company, specialized in the management of investment funds with a diversified portfolio designed to deliver value to its investors.

The Company is committed to incorporating sustainability considerations into its investment activities to promote long-term value creation for its stakeholders and recognizes that Sustainability Risks (as defined below) can have significant implications on investment performance and the broader economic landscape.

This Sustainability Risk Policy has been designed to comply with Article 3 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “**SFDR**”), which mandates the integration of Sustainability Risks in financial entities’ investment decision-making processes. The purpose of this document is to provide a framework for the identification, assessment, and management of Sustainability Risks across the Company’s investment portfolio, ensuring alignment with its sustainability objectives and regulatory obligations.

## 2. DEFINITION OF SUSTAINABILITY RISKS

Sustainability risks are defined as environmental, social, or governance (“**ESG**”) events or conditions that, if they occur, could have a material adverse impact on the value of investments (the “**Sustainability Risks**”)¹. These risks can affect the financial performance, reputation, and operational stability of the assets under management. Moreover, in line with the principle of double materiality, the Company acknowledges that Sustainability Risks not only affect financial outcomes but may also contribute to broader adverse environmental and social impacts.

The Company considers Sustainability Risks across the ESG categories:

- Environmental risks include risks related to climate change (physical and transition risks), natural resource depletion, biodiversity loss, pollution, and waste management. For example, climate change may increase operational costs due to regulatory changes or physical impacts from extreme weather events.
- Social risks encompass issues related to labor practices, community relations, health and safety, human rights, and supply chain integrity. Social risks may arise from shifting societal expectations around fair labor practices, which can impact the stability of operations and the reputation of the invested entity.
- Governance risks consist of risks stemming from corporate governance practices such as board composition, business ethics, anti-corruption measures, and transparency. Poor governance practices can lead to regulatory penalties, reduced investor confidence, and financial losses.

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¹ Art. 2 (22) SFDR

### **3. IDENTIFICATION OF SUSTAINABILITY RISKS**

The Company has established a comprehensive framework to identify Sustainability Risks associated with potential and existing investments. This identification process is designed to highlight relevant ESG factors that may impact an investment's performance. Key steps in identifying Sustainability Risks include:

- All potential investments undergo an initial ESG screening process to identify significant Sustainability Risks, including an assessment of industry-specific risks, geographical considerations, and exposure to regulatory changes related to sustainability.
- The Company analyzes sector-specific and geographic ESG risks, recognizing that certain industries and regions may have higher exposure to particular Sustainability Risks. For example, fossil fuel industries face heightened transition risks due to climate policies, while emerging markets may have elevated social risks due to labor practices.
- The Company utilizes external ESG data providers, rating agencies, and sustainability indices to obtain comprehensive insights into potential Sustainability Risks, receiving updates on ESG metrics such as carbon emissions, human rights performance, and board diversity.

### **4. INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES**

Sustainability Risks are integrated throughout the Company's investment decision-making process, ensuring that all managed assets align with its sustainability objectives and long-term performance goals. Sustainability Risks are integrated into various stages of the investment process.

During the due diligence phase, the Company conducts a thorough analysis of Sustainability Risks for each prospective investment. This analysis evaluates how ESG factors may impact the investment's risk-return profile and assesses the severity of these risks. Investments with high Sustainability Risks are either subject to enhanced due diligence or excluded if they do not meet the Company's sustainability standards.

The Company's investment to incorporate Sustainability Risk assessments into their decision-making criteria. Investment proposals must outline identified Sustainability Risks, along with mitigation measures, before approval. ESG factors are considered alongside financial and operational metrics, providing a holistic view of each investment's potential impacts.

Sustainability Risks are actively managed within the portfolio by monitoring and adjusting asset allocations based on changing ESG risks. The Company aims to diversify its portfolio to reduce exposure to high-risk industries and regions, ensuring resilience against adverse sustainability impacts.

### **5. METHODS FOR MANAGING AND MITIGATING SUSTAINABILITY RISKS**

The Company employs a range of methods to manage and mitigate Sustainability Risks, designed to the specific risk profiles of each investment.

The Company engages with investee companies to promote sustainable practices and transparency. This may involve direct dialogue with management, proxy voting on ESG issues, and collaboration with other investors to drive change. Engagement activities focus on promoting improved ESG practices, particularly in areas identified as high-risk.

Investments in sectors or activities associated with significant Sustainability Risks, such as coal mining or tobacco production, may be excluded from the portfolio. The Company periodically reviews its exclusion criteria to ensure they reflect evolving sustainability standards and stakeholder expectations.

For investments that align with the Company's sustainability objectives, a positive screening process is applied to identify companies that demonstrate strong ESG performance. Investments in companies with high ESG ratings are encouraged, as they tend to offer enhanced resilience against Sustainability Risks.

The Company establishes risk limits for Sustainability Risks in its portfolio. These limits are based on ESG ratings and sector exposure, helping to prevent excessive concentration in areas with elevated Sustainability Risks. The Company's investment teams adhere to these limits when constructing and adjusting the portfolio.

## **6. MONITORING AND REPORTING**

The Company conducts ongoing monitoring of Sustainability Risks for all managed assets, ensuring that they continue to align with the Company's sustainability objectives and regulatory requirements.

The Company performs periodic risk assessments on existing investments, focusing on ESG developments and emerging Sustainability Risks. These assessments leverage data from external ESG providers and internal research.

Investment teams conduct quarterly reviews of the portfolio's sustainability risk exposure. These reviews assess compliance with ESG standards, evaluate the performance of investee companies on ESG factors, and identify any material changes in risk profiles.

The Company provides regular ESG reporting to its clients and stakeholders, disclosing information on the risk management practices and ESG performance of its portfolio. This reporting includes updates on key ESG metrics, risk mitigation measures, and any notable changes in the Company's approach to Sustainability Risks.

## **7. GOVERNANCE AND OVERSIGHT**

The Company has established a robust governance framework to ensure the effective management of Sustainability Risks. Key roles and responsibilities include:

- Board of Managers: the Board is responsible for overseeing the integration of Sustainability Risks within the Company's overall risk management strategy. It reviews the effectiveness of the Sustainability Risk Policy and ensures alignment with regulatory obligations and the Company's strategic objectives.

- Risk Management and Compliance Officer: The Risk Management and the Compliance Officer are responsible for implementing this policy across the Company's operations.
- Investment teams: The Company's investment teams are responsible for incorporating Sustainability Risk assessments into their decision-making processes. They work closely with the Risk Management to ensure that investments align with the Company's sustainability goals and that identified risks are managed appropriately.

## **8. POLICY REVIEW AND UPDATES**

The Sustainability Risk Policy is reviewed annually to ensure it remains relevant and aligned with regulatory changes, market developments, and industry best practices. The Compliance Officer is responsible for overseeing the review process and making recommendations to the Board for any necessary amendments.

The Company is committed to transparency and will make updates to this Sustainability Risk Policy publicly available on its website.