The Compartment VDO website Art. 8 SFDR disclosure

Article 10 SFDR

In accordance with Art. 10 of Regulation (EU) 2019/2088 (‚**Sustainable Finance Disclosure Regulation**‘ or ‚**SFDR**‘), the present website Art. 8 SFDR disclosure sets out information about the VICENDA Debt Opportunities SCA SICAV-RAIF (ISIN: LU2446297173) (‚**Compartment VDO**‘) that a potential investor should take into consideration before investing in the fund. It should be retained for future reference. The document summarises how the Compartment VDO promotes environmental or social characteristics.

Summary

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment. Thus, it qualifies as SFDR Art. 8 compliant.

With the environmental or social characteristics of the Compartment VDO, the Investment Advisor aims at:

- Limiting the exposure to environmental, social and governance (‚**ESG**') risk. Thereby, the Investment Advisor aims to limit the exposure to (1) ‚Material' ESG risk emerging from the negative effect that investments may have on current or future environmental and social developments; (2) ‚Greenwashing' ESG risk emerging from the usage of loose definitions for sustainable investments; (3) ‚Return' ESG risk emerging from inefficient capital allocations in the interest of ESG topic investments; and
- Providing investors with potential exposure to sustainable investments, aligned with Regulation (EU) 2020/852 (‚**EU Taxonomy**').

To achieve that, the Investment Advisor has implemented a dedicated ESG investment strategy, in which the Investment Advisor applies an:

- ‚Exclusion check', during which it applies a negative screening strategy to 80% of NAV to investee companies that derive more than 50% of revenue from fossil fuels, controversial weapons, tobacco, gambling and adult entertainment; and reviews the adherence of investee companies to good governance practices (‚**GGPs**'); and
- ‚Sustainability check', during which it reviews the adherence to the ‚Do no significant harm' (‚**DNSH**') principle referred to in Art. 2a SFDR; reviews the substantial contribution to an environmental objective; and calculates the degree of Taxonomy-alignment.

As part of the GGPs and DNSH adherence reviews, the Investment Advisor takes into account the principal adverse impacts on sustainability factors.

The exclusion and sustainability checks are integrated into the investment process through the appliance of a proprietary developed application. The application is responsible for collecting, processing and monitoring sustainability-related data.

Sustainability-related data comes predominantly from publicly available sources, communications with any parties involved in the investment, and third parties specialising in ESG data provision. Data may be subject to limitations.

The Investment Advisor may use engagement strategies to incentivise parties involved in an investment to improve their ESG risk.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

For every sustainable investment the Compartment VDO intends to make, the Investment Advisor aims to comply with the DNSH principle as defined in the Regulation 2020/852 (‚**EU Taxonomy**' or ‚**TR**'). Three simultaneously executed processes ensure this compliance as part of the Investment Advisor's Due Diligence process. In these processes, the Investment Advisor:

- Ensures that the sustainable investments do not significantly harm any environmental or social objectives by comparing, where feasible, the impacts through appropriate values and metrics in the Climate Delegated Act;
- Takes into account the indicators for principal adverse impacts on sustainability factors referred to in Table 1, Annex 1 of Delegated Regulation (EU) 2022/1288 (‚**Sustainable Finance Disclosure Regulation Regulatory Technical Standards**'or ‚**SFDR RTS**') and any relevant but at least one other indicator for principal adverse impacts on sustainability factors in both the environmental and social category referred to in Table 2, Annex 1 of SFDR RTS (in combination: ‚**RTS Indicators**'). The *Annex* to this document contains a list with said RTS Indicators. Thereby, the Investment Advisor may only take a selection of those indicators into account, depending on the data availability thereof; and
- Aligns the investments with the minimum safeguards set out in Art. 18 of the EU Taxonomy.

The Investment Advisor uses indicators for adverse impacts on sustainability factors to identify significantly negative impacts of its investment advice on sustainability factors. For sustainable investments, the Investment Advisor applies the best-standard recommendation of the European Union by reviewing the RTS Indicators.

Data for the indicators are obtained by analyses of publicly available data and communications with any parties involved in the investment. Furthermore, the Investment Advisor has access to third parties that specialise in ESG data provision in private markets.

As there are explicitly no legally set thresholds by the European Union that would determine whether an indicator has been exceeded, the Investment Advisor reserves the right to decide for itself on an investment-to-investment basis until which limit no significant harm towards an environmental or social objective is created.

It is important to note that due to the nature of this financial product's investments which are predominantly in private debt, reliable data on indicators for adverse impacts on sustainability factors is not always readily available. It may be the case that potentially sustainable investment parties lack in size to measure ESG data in an economically feasible way or are unable to report on ESG data for other reasons. Therefore, the Investment Advisor cannot commit to reporting every RTS indicator for each sustainable investment in the current market state. The Investment Advisor withholds the right to decide for itself, with no prior notification of its investors, to exclude one or multiple indicators from consideration. While the Investment Advisor commits to supporting investee companies in measuring the indicators, the Investment Advisor is not responsible for the accuracy of the data provided by investee companies.

For every sustainable investment, the Investment Advisor's aim is to ensure that no minimum safeguards as defined in the EU Taxonomy are breached. To do this, the Investment Advisor provides potentially sustainable investee companies with a questionnaire that collects, where applicable, data on the alignment to:

- The OECD Guidelines for Multinational Enterprises;
- The UN Guiding Principles on Business and Human Rights;
- The principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work; and
- The International Bill of Human Rights.

Answers are consequently reviewed towards their reliability to the extent that the Investment Advisor regards as necessary and economically feasible. While the Investment Advisor commits to supporting investee companies in answering the questionnaire, the Investment Advisor is not responsible for the accuracy of the data provided by investee companies.

Environmental or social characteristics of the financial product

This financial product promotes environmental/social characteristics by providing investors with potential exposure to Taxonomy-aligned sustainable investments. Taxonomy-aligned sustainable investments are environmentally sustainable investments as referred to in the EU Taxonomy. They must fully adhere to the DNSH principle (Art. 2a SFDR) and contribute to at least one environmental objective (Art. 9 TR) in a substantial way (Art. 10-15 TR).

No minimum exposure to Taxonomy-aligned investments is imposed upon the fund, which means that the fund may, at times, invest only in securities that are not Taxonomy-aligned. As a result, the fund's minimum proportion of Taxonomy-aligned investments could be 0%.

Having Taxonomy-aligned investments as the environmental/social characteristic of the fund categorises the Compartment VDO into a financial product referred to in Art. 5, first paragraph of the EU Taxonomy. Thus, the pre-contractual disclosures (Art. 8 SFDR) and periodic disclosures (Art. 11 SFDR) become significantly more detailed.

Therefore, apart from a potential exposure to Taxonomy-aligned sustainable investments, investors benefit from higher transparency in sustainability matters.

Investment strategy

The Investment Advisor has a dedicated ESG investment strategy in place, which ensures that 100% of the investments in companies follow GGPs and potential exposure to Taxonomy-aligned sustainable investments.

The ESG investment strategy is comprised of four parts. The Investment Advisor reviews the adherence of GGPs, the contribution to an environmental objective, the alignment with the DNSH principle, and ultimately calculates the degree of the Taxonomy-alignment. Thereby:

- **GGPs** are reviewed for all investee companies by applying a set of indicators that measure the alignment with sound management structures, employee relations, remuneration of staff and tax compliance. Every indicator has a predefined individual minimum score and aggregated minimum score. An investment shows GGPs if both minimum scores are exceeded. This setup allows ESG downside protection combined with a more holistic ESG upside-downside averaging. GGPs are not measured for investments other than those in investee companies, such as but not exhaustively, real estate investments, investments in sovereigns, certain types of derivatives, investments for which data are lacking, cash held as ancillary liquidity, hedging instruments or unscreened investments for diversification purposes;
- An investment contributes to an **environmental objective** if it contributes substantially to at least one environmental objective as outlined in the EU Taxonomy's technical screening criteria. The Compartment VDO takes into account every environmental objective defined in the EU Taxonomy. It does not pursue any specific ESG theme or impact;
- An investment adheres to the **DNSH principle** if it:
  - Does not harm other environmental or social objectives, based on the provisions set by the European Union in the EU Taxonomy Regulation and Regulation (EU) 2021/2139;
  - Takes the RTS Indicators or a selection thereof into account; and

  - Is aligned with the minimum safeguards set out in Art. 18 of the EU Taxonomy.

- The degree of the **Taxonomy-alignment** is calculated with asset-specific KPIs as referred to in the SFDR RTS.

If an investee company does not qualify as Taxonomy-aligned, the Compartment VDO can still invest in it as part of the investments that are not Taxonomy-aligned. Only if an investee company adheres to all EU Taxonomy requirements can the Compartment VDO invest in it as part of the sustainable investments. When reviewing the adherence to either of those two categories, the Investment Advisor may review on a Pro-forma basis. This incentivises the Investment Advisor to use, if applicable, engagement/stewardship strategies that contribute to adherence.

Proportion of investments

Investments in this financial product are divided into two categories. At least 0% of investments are Taxonomy-aligned sustainable investments, and a maximum of 100% of investments do not qualify as sustainable investments. Generally, all investments in investee companies follow GGPs. GGPs are not measured for investments other than those in investee companies, such as but not exhaustively, real estate investments, investments in sovereigns, certain types of derivatives, investments for which data are lacking, cash held as ancillary liquidity, hedging instruments or unscreened investments for diversification purposes.

This applies to direct exposures in investee entities and all other types of exposures to those entities.

Monitoring of environmental or social characteristics

The environmental or social characteristics promoted by the Compartment VDO and the sustainability indicators used to measure the attainment of the environmental or social characteristics are monitored through the VICENDA ESG TOOL (‚**Tool**‘).

The Tool is a proprietary developed application to integrate the ESG data monitoring, storing, and interpretation into the investment process. Throughout the lifecycle of the financial product, the Tool collects information on investments and may consequently assign a contribution to the environmental or social characteristic. Quarterly, the Tool measures the sustainability indicators used to measure the attainment of the environmental or social characteristics.

By standardising the ESG data collection, storing and interpretation process, the Tool serves as an internal control mechanism for monitoring the environmental or social characteristics.

Methodologies

When measuring how the Compartment VDO provides investors with potential exposure to Taxonomy-aligned sustainable investments, the Investment Advisor uses various methodologies at multiple stages of the investment process.

In the first step of the ESG Due Diligence, during the exclusion check, the Investment Advisor applies:

- On at least 80% of the NAV over the financial year a negative screening strategy to all investments in companies that derive more than 50% of revenue directly from the:
  - Exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation and storage but not trade, of non-renewable carbon-based energy sources such as solid fuels, natural gas and oil;

  - Manufacturing or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);
  - Production or sale of tobacco and tobacco-based products;
  - Provision of gambling platforms;
  - Provision of adult entertainment platforms.
- ESG risk downside protection by measuring a set of indicators and applying minimum thresholds;
- ESG risk upside/downside averaging by measuring a set of indicators and applying an aggregated minimum threshold.

In the second step of the ESG Due Diligence, during the Taxonomy-alignment check, the Investment Advisor provides the Tool with data points, and the Tool guides the investment manager through the Taxonomy-requirements to reach a final verdict on the Taxonomy-alignment of an investment opportunity. Thereby, the Tool checks for an environmental objective, a substantial contribution thereof (where applicable with technical screening criteria), the alignment with DNSH criteria and finally, the Tool calculates the degree of Taxonomy-alignment.

Data sources and processing

Data sources used to determine Taxonomy-alignment may include but are not limited to publicly available sources, communications with any parties involved in the investment, and third parties that specialise in ESG data provision.

To ensure data quality, the Investment Advisor commits to supporting investee companies in extracting data to the degree the Investment Advisor regards as necessary and economically feasible. While receiving reliable ESG data is a priority of the Investment Advisor to understand the ESG risks involved in an investment, the Investment Advisor is not responsible for the accuracy of the data provided by investee companies.

Data are processed by the Tool.

The Investment Advisor regards the use of estimation methods as an exception and thus expects the proportion of estimated data to be low. Given the early stage of the EU Taxonomy and its adoption in the market, the Investment Advisor is not able to provide more detailed information on the proportion of data that are estimated.

Limitations to methodologies and data

The methodologies and data sources referred to in the sections above are subject to various limitations.

Limitations for methodologies may include the dependency on understanding future best-standard adoptions of indicators and exclusions in the ESG market. Limitations for data sources may include the exposure to data reliability and availability, exacerbated by the lack of legal guidance in estimation methods.

Using a Tool may reduce the limitations of the methodologies by standardising and structuring the Taxonomy-alignment process.

The limitations are not only specific to the Investment Advisor but to any entity that adopts the current legal framework at its early stage. With that, the limitations do not affect how the Compartment VDO provides investors with potential exposure to Taxonomy-aligned investments as they are legally defined.

Due diligence

The due diligence carried out on the underlying assets of the Compartment VDO is an extensive, multi-stage process where the Investment Advisor analyses risk factors regarding the asset and its environment, with the aim of obtaining a complete and reliable picture of the current situation and projected development of the asset.

The due diligence is externally controlled by the Compartment VDO's alternative investment fund manager.

Engagement policies

Although engagement is not a part of the environmental or social investment strategy, the Investment Advisor may use engagement strategies on an investment-to-investment basis if deemed necessary from an ESG risk perspective. Situations where this might be the case include, but are not limited to, floating interest rates dependent on the company's sustainability performance or advocating sustainability-related actions that enable the borrower to qualify as having substantial contribution criteria in the EU Taxonomy Framework.

Version Control

Version	Date	Updated text
1.0	2022-12-19	-

Annex

RTS Indicators:

Applicability	Table	Indicator
Companies	1	Scope 1 GHG emissions
Companies	1	Scope 2 GHG emissions
Companies	1	Scope 3 GHG emissions
Companies	1	Total GHG emissions
Companies	1	Carbon footprint
Companies	1	GHG intensity of investee companies
Companies	1	Exposure to companies active in the fossil fuel sector
Companies	1	Share of non-renewable energy consumption and production
Companies	1	Energy consumption intensity per high impact climate sector
Companies	1	Activities negatively affecting biodiversity sensitive areas
Companies	1	Emissions to water
Companies	1	Hazardous waste and radioactive waste ratio
Companies	1	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
Companies	1	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
Companies	1	Unadjusted gender pay gap
Companies	1	Board gender diversity
Companies	1	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
Companies	2	Emissions of inorganic pollutants
Companies	2	Emissions of air pollutants
Companies	2	Emissions of ozone-depleting substances
Companies	2	Investments in companies without carbon emission reduction initiatives
Companies	2	Breakdown of energy consumption by type of non-renewable sources of energy
Companies	2	Water usage and recycling
Companies	2	Investments in companies without water management policies
Companies	2	Exposure to areas of high water stress
Companies	2	Investments in companies producing chemicals
Companies	2	Land degradation, desertification, soil sealing
Companies	2	Investments in companies without sustainable land/agriculture practices
Companies	2	Investments in companies without sustainable oceans/seas practices
Companies	2	Non-recycled waste ratio
Companies	2	Natural species and protected areas
Companies	2	Deforestation
Companies	2	Share of securities not issued under Union legislation on environmentally sustainable bonds

Applicability	Table	Indicator
Companies	2	Investments in companies without workplace accident prevention policies
Companies	2	Rate of accidents
Companies	2	Number of days lost to injuries, accidents, fatalities or illness
Companies	2	Lack of a supplier code of conduct
Companies	2	Lack of grievance/complaints handling mechanism related to employee matters
Companies	2	Insufficient whistleblower protection
Companies	2	Incidents of discrimination
Companies	2	Excessive CEO pay ratio
Companies	2	Lack of a human rights policy
Companies	2	Lack of due diligence
Companies	2	Lack of processes and measures for preventing trafficking in human beings
Companies	2	Operations and suppliers at significant risk of incidents of child labour
Companies	2	Operations and suppliers at significant risk of incidents of forced or compulsory labour
Companies	2	Number of identified cases of severe human rights issues and incidents
Companies	2	Lack of anti-corruption and anti-bribery policies
Companies	2	Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery
Companies	2	Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws
Sovereigns/supranation	1	GHG intensity
Sovereigns/supranation	1	Investee countries subject to social violations
Sovereigns/supranation	2	Share of bonds not issued under Union legislation on environmentally sustainable bonds
Sovereigns/supranation	2	Average income inequality score
Sovereigns/supranation	2	Average freedom of expression score
Sovereigns/supranation	2	Average human rights performance
Sovereigns/supranation	2	Average corruption score
Sovereigns/supranation	2	Non-cooperative tax jurisdictions
Sovereigns/supranation	2	Average political stability score
Sovereigns/supranation	2	Average rule of law score
Real estate assets	1	Exposure to fossil fuels through real estate assets
Real estate assets	1	Exposure to energy-inefficient real estate assets
Real estate assets	2	GHG emissions
Real estate assets	2	Energy consumption intensity
Real estate assets	2	Waste production in operation
Real estate assets	2	Raw materials consumption for new construction and major renovations
Real estate assets	2	Land artificialisation