

December 2022

# Sustainability-related disclosures

Articles 3, 4 and 5 SFDR<sup>1</sup>

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<sup>1</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the „SFDR“).

## Introduction

The following information applies to *Palladio (Luxembourg) S.à r.l.* as an alternative investment fund manager (AIFM) and financial market participant within the meaning of Article 2 (1) (e) of the Sustainable Finance Disclosure Regulation (SFDR)

The following statements do not refer to a specific alternative investment fund (AIF), but to the activities of Palladio (Luxembourg) S.à r.l. in general.

## Article 3 SFDR: Transparency of sustainability risk policies

### *Integration of sustainability risks in investment decision-making process*

According to Article 3 of the SFDR, financial market participants are required to publish on their website information about their policies on the integration of sustainability risks in their investment decision-making processes, including the organisational, risk management and governance aspects of such processes.

A 'sustainability risk' within the meaning of Article 2 (22) of the SFDR is 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.

Palladio (Luxembourg) S.à r.l. has integrated sustainability considerations into its entire investment process. This includes the consideration of sustainability risks in investment decision-making processes, to the extent that they represent an actual or potential material risk and/or opportunity to maximize risk-adequate returns over the long term.

When conducting due diligence on an investment, Palladio (Luxembourg) S.à r.l. identifies and evaluates sustainability opportunities and risks using a proprietary ESG scoring system. The way in which sustainability aspects are considered varies depending on the asset class and sector, and the structure of the ESG scoring is adapted to the respective requirements. The ESG scoring includes different aspects depending on the type of access, to reflect the fact that Palladio (Luxembourg) S.à r.l. can directly influence ESG aspects for direct investments, whereas for indirect investments via target funds, the focus is on appropriate contractual arrangements. Depending on the investment class access type and sector, sustainability risks may not be considered at all or only to a very limited extent. Since in the case of the indirect access type, i.e. in the case of investments in target funds, the target fund manager (and not Palladio (Luxembourg) S.à r.l.) is responsible for the selection of the portfolio companies and the investments are generally made after subscription in the target funds, Palladio (Luxembourg) S.à r.l. cannot guarantee in this case that all relevant information on the sustainability risks of the portfolio companies of a target fund is already available at the time the investment is made.

Exclusion criteria defined by Palladio (Luxembourg) S.à r.l. are usually based on the individual requirements of investors; these reflect at least the legal requirements.

The due diligence results regarding sustainability aspects, including sustainability risks, as well as the ESG scoring are taken into account in the investment decision. This procedure is also part of the due diligence obligations towards investors, as sustainability risks can have a significant impact on the value of investments in the long term.

Sustainability risk management strategies are regularly reviewed to ensure that emerging risks are taken into account.

## Article 4 SFDR: Transparency of adverse sustainability impacts at entity level

### *Statement on principal adverse impacts of investment decisions on sustainability factors*

According to Article 4 (1) of the SFDR, financial market participants are required to publish on their website information on whether they consider the principal adverse impacts of investment decisions on sustainability factors.

Sustainability factors within the meaning of Article 2 (24) of the SFDR are environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Palladio (Luxembourg) S.à r.l. considers the principal adverse impacts of investment decisions on sustainability factors within the meaning of Article 4 (1) (a) of the SFDR.

Already during the due diligence of an investment, the principal adverse impacts on sustainability factors are identified and evaluated, provided that the relevant information is available. Palladio (Luxembourg) S.à r.l. considers a wide range of possible sustainability factors, including those that are regulatory or statutory.

The availability and quality of relevant data and information for the systematic assessment of sustainability factors and indicators and the consideration of principal adverse impacts of investment decisions on sustainability factors is currently not considered sufficient for all asset classes in which the investment funds managed by Palladio (Luxembourg) S.à r.l. invest. It can also be assumed that resources do not exist equally at all levels of the structures (mainly fund of funds structures) to provide quantitative information on all sustainability factors and indicators to a sufficient extent and frequency.

Palladio (Luxembourg) S.à r.l. will periodically reassess the availability and quality of relevant data and information with the aim of extending the consideration of principal adverse impacts.

The statement on principal adverse impacts of investment decisions on sustainability factors will be published on the website [www.palladio-partners.com](http://www.palladio-partners.com) by June 30, 2023 at the latest, following the template provided in Table 1 of Annex I of Delegated Regulation (EU) 2022/1288.<sup>2</sup>

The statement will also include an information about the policies on the identification and prioritisation of principal adverse sustainability impacts and indicators and how these policies are kept up to date and applied. Where that information relating to any of the indicators used is not readily available, the statement will include an explanation of the extent to which Palladio (Luxembourg) S.à r.l. has used its best efforts to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions. Likewise, the statement will include, if applicable, brief summaries of engagement policies in accordance with Article 3g of Directive 2007/36/EC and a statement as to whether and to what extent Palladio (Luxembourg) S.à r.l. has complied with a business conduct codes and internationally recognized standards.

## **Article 5 SFDR: Transparency of remuneration policies in relation to the integration of sustainability risks**

According to Article 5 of the SFDR, financial market participants are required to disclose, as part of their remuneration policies, information on how those policies are consistent with the integration of sustainability risks; this information must be published on their website.

Sustainability risks are appropriately taken into account in the remuneration policy of Palladio (Luxembourg) S.à r.l.. The remuneration policy is part of the risk management with respect to sustainability risks. The remuneration policy is designed in a manner that no excessive risk-taking with respect to sustainability risks is favoured in the context of investment decisions. The consideration of sustainability aspects, opportunities as well as risks, is one of the bases for the remuneration of all employees of Palladio (Luxembourg) S.à r.l. entrusted with investments.

## **Important notice**

This Document is a mandatory disclose document in accordance with the SFDR; it is neither a marketing-communication nor any other form of marketing material.

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<sup>2</sup> Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports ("SFDR-RTS").

## Document history & changes

Date	Version	Change(s)
December 2022	1	