

# Sustainability Risk Policy – Disclosure Statement

March 2023

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Heptagon Capital Limited (“Heptagon”)

In accordance with the requirements of Article 3 of Regulation EU 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”), and as a financial market participant for the purposes of Article 2 SFDR, Heptagon must publish its policy and approach on the integration of sustainability risks into its investment processes.

Heptagon’s board of directors (the “Board”) is ultimately responsible for Heptagon’s policies and procedures in respect of sustainability risks and has overall responsibility for sustainability risk matters.

Under SFDR, “sustainability risk” means an 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 an investment. This policy therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of Heptagon’s clients’ investments.

Heptagon has been appointed investment manager to Heptagon Fund ICAV (“the ICAV”), an open-ended umbrella type Irish Collective Asset-management Vehicle, registered in Ireland and regulated by the Central Bank of Ireland as an undertaking for collective investment in transferable securities with segregated liability between its sub-funds (“the Funds”). Heptagon’s business model with regard to the ICAV consists of appointing sub-investment managers to provide investment management in relation to the Funds. Due to the wide range and diversified nature of the strategies offered, Heptagon’s sustainability risk policy varies across the Funds, as the appointed sub-investment managers have independent investment philosophies and processes and the sustainability risk policy is tailored accordingly. Heptagon is responsible for risk management, provides oversight and monitors adherence to the investment policy and investment guidelines of each Fund in compliance with SFDR.

### **Heptagon’s Investment Philosophy**

Heptagon’s investment philosophy is committed to delivering attractive risk-adjusted returns for its clients over the long-term.

Heptagon’s offering includes a broad range of different sub-investment managers who have autonomous decision-making responsibilities and independent investment philosophies and processes. Each sub-investment manager’s investment team manages its portfolios according to its own specific expertise and convictions and is exposed to unique factors that may impact their fundamental analyses.

Heptagon aims to offer the Funds’ investors a selection of investment vehicles to cover a wide range of strategies, which may include ESG investment products.

Furthermore, Heptagon oversees all of the Funds and ensures that each Fund meets its investment criteria, as stated in the individual Fund supplements (the “Supplements”). Heptagon also maintains an active dialogue with every investment team to discuss potential areas of strengthening in their investment process, including ESG integration. The ICAV offers Article 9, Article 8 and Article 6 Funds (further outlined in Appendix I hereto), as per the SFDR classification, and each Fund in these categories may address ESG considerations in different manners.

The following principles characterise Heptagon’s approach to providing attractive risk-adjusted returns for its clients over the long-term:

- Active management
- Diversified product offering
- Partnering with high quality boutique manager

### No consideration of sustainability adverse impacts

Heptagon does not currently but may in the future consider the adverse impacts investment decisions on sustainability factors pursuant to Article 4 of the SFDR. Whilst Heptagon supports the objectives of SFDR with respect to transparency of due diligence policies and reporting against relevant quantitative metrics in respect of portfolio investments it has chosen not to consider these impacts at this time, predominantly due to the lack of quality, consistent and readily available data with which to meet these obligations without disproportionate cost or resource implications, which may serve to impact the Funds negatively. Whilst uncertain as to when specifically, Heptagon may consider the adverse sustainability impacts of the Funds' investment decisions and remains open to doing so in future and will monitor the situation with respect to data availability.

### Consideration of Sustainability Factors in Heptagon's Investment Process

Although Heptagon believes that sustainability factors are an important part of fundamental analysis and that the proactive integration of such factors is important for sustainable long-term shareholder value, Heptagon does not uniformly, nor require its sub-managers to uniformly integrate sustainability factors into the investment process or its investment products. Each sub-investment manager's investment team manage their portfolios according to their own specific expertise and convictions, including in relation to ESG factors. Information related specifically to an individual Fund can be found in the relevant Supplement. However, due to their indiscriminate and inhumane effect, often resulting in civilian casualties and causing a disproportionate level of pain and suffering, Heptagon has established an umbrella wide exclusion to controversial weapons consistent with the following international treaties applying to all direct investments:

- The Ottawa Convention (1999): banning the use, stockpiling, production, and transfer of anti-personnel landmines.
- The Oslo Convention (2010): banning the use, stockpiling, production, and transfer of cluster munitions.
- The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production, and transfer of chemical weapons.
- Biological Weapons Convention (1975) which prohibits the use, stockpiling, production, and transfer of biological weapons.

Therefore, Heptagon aims to exclude companies that have direct involvement in the production and/or distribution of key components, whole weapons systems and exclusive delivery platforms for landmines, cluster munitions, biological and chemical weapons.

Heptagon performs an oversight function and monitors adherence to each Fund's investment policy and investment guidelines as per the relevant Supplement. Oversight includes monitoring of compliance of investment guidelines which may include sustainability exclusion criteria and ESG characteristics applicable to each Fund. Heptagon's approach to ESG oversight of the ICAV can be provided upon request.

- **Engagement model** – As active investors, the sub-investment managers may engage with investee and universe companies on behalf of the relevant Fund. Each investment team conducts their own primary research that includes extensive due diligence with the aim of identifying drivers that create long-term sustainable shareholder value. The different investment teams, particularly in respect of the Article 9 and Article 8 Funds, may seek to influence the behaviour of a company in which a Fund is invested in order to improve their ESG practices. For instance, engaging with a company's management on issues such as, but not limited to, environmental and social matters, employee matters, anti-corruption or anti-bribery matters. Dialogue with investee companies is continuous and may include, but it is not limited to; onsite and offsite due diligence,

including visits to company premises, dialogue and face-to-face interaction with management, attending investor days and calls, thematic events and industry conferences. Heptagon believes it is important that companies see that investors are concerned about ESG considerations as awareness is the initial step.

- **Proxy Voting on Corporate Governance and Responsibility matters:** Heptagon believes that proxy voting is an essential mechanism for engaging company management to ensure that they act in the shareholders' best interests. In regards to fund management, each sub-investment manager approaches their proxy votes in a way that they believe protects shareholder values and generates long-term sustainable value creation in line with Heptagon's overarching sustainability risk policy.

### Governance

Each sub-investment manager is responsible for and has implemented a governance process related to the funds/portfolios that they are managing. The Heptagon Investment Committee which has oversight responsibility for all of the Funds and regularly reviews their performance at its quarterly board meetings as well as ad-hoc meetings when required to address any immediate issues or concerns raised internally within Heptagon. Heptagon's ESG Committee shall be responsible for the oversight of ESG and/or sustainable investing policies and practices of the investment strategies of the Funds.

### Use of Data, Tools and Third Parties

All research for the individual investment strategies is delegated by Heptagon and carried out by the respective sub-investment managers' investment teams, including any ESG related research. Each of the investment teams may use different data, tools, research and resources to assist in the investment due diligence and risk management processes of their independent strategies. Information related specifically to an individual fund's use of data, tools and third parties can be found in the fund's sustainability disclosures section within Heptagon's website.

Heptagon has engaged a leading independent global provider of ESG and corporate governance research and ratings as the main tool for oversight and monitoring of compliance with sustainability exclusion criteria and ESG characteristics for investment teams of Article 9 and Article 8 Funds.

In the case of a breaching concern, the issue will be discussed with the responsible Fund manager.

### Related Policies

Heptagon has adopted a number of complementary and related policies which provide an overview of its approach. These include, but are not necessarily limited to:

- Proxy Voting and Engagement Policy

### Transparency and Reporting

Heptagon is a signatory to the UN Principles for Responsible Investment (UN PRI) and fulfils the reporting requirements that being a PRI signatory entails, in the form of the annual Transparency Report which is available on the PRI website ([www.unpri.org](http://www.unpri.org)). Customised reporting is available upon request.

For more information on the individual Funds consideration of sustainability risks and ESG practices go to: <https://www.heptagon-capital.com/funds>

## Appendix I

### **Article 6 Funds**

Kopernik Global All-Cap Equity Fund

Driehaus US Micro Cap Equity Fund

Driehaus US Small Cap Equity Fund

Yacktman US Equity Fund

Listed Private Assets Fund

Kettle Hill US L/S Equity Fund

### **Article 8 Funds**

Heptagon Future Trends Equity Fund

Heptagon Future Trends Hedged Fund

Heptagon European Focus Equity Fund

Driehaus Emerging Markets Sustainable Equity Fund

Summit Sustainable Opportunities L/S Equity Fund

Easterly US Value Equity Fund

WCM Global Equity Fund

### **Article 9 Funds**

Qblue Global Sustainable Leaders Fund