

Sienna AM Luxembourg

Principal Adverse Impact Statement

February 2023

Amendments since implementation of Version 1.0 as of February 2023

Version	Date	Change	Amended by	Reviewed and approved
1.0	28/02/2023	Set up of the Statement		01/03/2023

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1. Introduction

The Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (referred to as “SFDR”) came into force from 10 March 2021 to provide more transparency to investors on the integration of sustainability risks and sustainability factors (meaning environmental, societal and governance factors or “ESG”) and on the consideration of adverse sustainability impacts in the investment processes.

More specifically, the article 4 of SFDR requires financial market participants to publish and maintain on their website information related to their consideration of Principal Adverse Impacts (“PAIs”) of investment decisions on sustainability factors at entity level, including a statement on due diligence policies with respect to those impacts.

The Delegated Regulation (EU) 2022/1288 (referred to as “RTS”) supplements the requirements laid out in the SFDR by providing additional requirements to those outlined in article 4 of the SFDR, namely the requirements of Chapter II and the disclosure template as well as calculation methodologies outlined in Annex I of the RTS.

Rationale and Scope of Application

Sienna AM Luxembourg (hereafter “Sienna”), a Luxembourg-based alternative investment fund manager (hereafter “AIFM”), considers PAIs of its investment decisions on sustainability factors as part of its investment due diligence process and will report on them annually.

This document aims at providing a comprehensive overview of how Sienna considers PAIs, including information on the due diligence policies with respect to these.

Authorization and Updates

The Board of Directors of the AIFM (hereafter “Board”) is the owner of the present statement and is responsible for maintaining and updating it on a regular basis. The Board will consider input from other parties within Sienna in the review of this statement.

This statement will be reviewed on a regular basis and at least annually, to ensure the process for identifying, prioritizing and managing the principal adverse impacts remains fit for purpose. Changes to this document will apply as of the date of approval by the Board.

Governance in relation to this policy

This policy will be reviewed and updated at least annually and adapted on an ad hoc basis in the event of relevant changes, e.g. in the event of changes to the organizational structure of the Management Company, of changes in the regulatory framework governing this Policy or if otherwise deemed necessary.

This policy has been initially approved by the board of the AIFM on March 1st, 2023. Investments closed before this approval date will be considered for the PAI reporting.

2. Identification and prioritization of PAIs

Nature of investments

Sienna is collecting PAI information to calculate and report on the PAI indicators on all its investments on a best-efforts basis, considering the current limitations in the data availability.

For funds with a Private Equity, PAI data is collected in collaboration with the investment teams of the AIFs through the due diligence and ongoing portfolio monitoring processes on underlying investee companies. Sienna currently does not have any funds with Real Estate, Infrastructure or Funds of Funds strategy, hence no PAI data are to be collected for such type of AIFs.

Sienna also monitors the investment team through ongoing review to ensure their process for collecting, processing data and calculating the PAI indicators remains adequate.

Mandatory indicators for principal adverse impacts on sustainability factors

Sienna will collect information and report on all the 14 mandatory PAIs and on two additional optional PAIs, one from table 2 and one from table 3 of the RTS. The information will be collected on all investments (direct and indirect) on a best-effort basis.

The list of the 14 mandatory PAIs and the two additional ones chosen by Sienna is provided below:

Indicators applicable to investments in investee companies (Table 1)		
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

Note: The indicators related to investments in sovereigns and supranational (PAI 15 & PAI 16) and applicable to investments in real estate assets (PAI 17 and PAI 18) are not applicable for Sienna, since the Company does not manage any investments in such instruments.

Indicators applicable to investments in investee companies (Table 2)		
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
Indicators applicable to investments in investee companies (Table 3)		
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption

3. Description of policies related to principal adverse impacts

Sienna has integrated sustainability considerations across each stage of the investment process, from the initial pre-investment screening to the ongoing monitoring and exit processes of each portfolio. As part of such sustainability considerations, PAI indicators may be selected for each individual product, according to its investment strategy.

Initial pre-screening of investments

Prior to making any investment, Sienna will conduct ESG due diligence on the proposed investment to evaluate sustainability factors. The evaluation will include a quantitative assessment of the impact of the investment against the relevant environmental, social and governance indicators selected by Sienna.

For **ESG products:** AIFs managed by Sienna that were classified as Article 8 or Article 9 under SFDR screen any proposed investments against sustainability indicators that were defined in order to demonstrate how the fund meets the E/S characteristics it promotes or achieves its sustainable objectives. Such indicators may include principal adverse impacts indicators chosen from Annex I of the RTS. The measured indicators are then used to assess the sustainability-related risks and opportunities of the product.

The consideration of PAIs has been integrated as part of the due diligence policies for investment decisions:

- Analysis of financial investee companies is performed as part of the ESG due diligence where PAI information and relevant data is collected
- Exclusion of investee companies non-compliant with minimum thresholds established on PAI indicators

For **non-ESG products**: PAIs are monitored but not integrated in the investment decisions.

Investment monitoring

On a regular basis, information on sustainability indicators, including selected PAI indicators, is collected and monitored to ensure these remain within the set threshold of the article 8 or article 9 product.

For **ESG products**: AIFs managed by Sienna that were classified as Article 8 or Article 9 under SFDR are subject to periodic monitoring performed in relation to the PAI indicator thresholds, negative screening criteria and sustainability indicators defined for the fund to ensure compliance of the funds' thresholds.

Sienna's investment teams will consider data points on principal adverse impacts from investee companies and may use proxies when data is not available to help identify where the key impacts may be from an environmental and social perspective.

The investment teams may face some challenges with regards to availability of data, especially as investee companies are smaller companies. Where data is not available on a company or such data is deemed to be unreliable/inaccurate by the investment teams, additional qualitative assessments on potential adverse impacts is undertaken and a reasonable conclusion concerning the likely impacts of such investments will be reached based on available information.

Where the investment teams have identified material risks through their assessment of the PAI indicators, the investment teams may look to address this through either engagement, voting, advocacy on specific ESG issues as well as continuing to support industry-initiatives. ESG-related harm identified may also be mitigated through exclusion policies.

Sienna will review annually at entity level the adverse impacts of its investment decisions on sustainability factors. This information will be used to inform future action plans and targets for engagement.

For **non-ESG products**: PAIs are monitored but not integrated in the investment decisions.

Exclusions

Sienna's exclusion policy covers exclusion of activities directly exposed to controversial weapons, adult entertainment, tobacco and fossil fuel (coal, oil and non-conventional gas) or with a severe violation to the UN Global Compact principles, UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises, as well as investments in jurisdictions which are currently sanctioned by the EU.

Engagement policy

At group level and including the AIFM, a reference has been made in the ESG Policy published on its website in accordance with the requirements of Article 3g of Directive 2007/36/EC (Directive with regard to the promotion of long-term shareholder participation).

5. Business code of conduct and international standards

Sienna adheres to its responsible business code of conduct related to its due diligence and reporting process.

The 10 Principles of the UN Global Compact provide a good framework for companies to commit to and for investors to measure progress. Sienna's investment teams expect and encourage companies to disclose an explicit policy to observe human rights for their own operations as well as for their supply chains, particularly if they are in a country or sector with higher exposure to these risks.

Sienna also contributes to the UN Sustainable Development Goals (“SDG”) through its investee companies.

Sienna is a PRI signatory.

6. Application of the RTS

Following the publication of the Delegated Regulation (EU) 2022/1288, or RTS, Sienna aims to comply with the requirements of Chapter II of that regulation with regards to its disclosure of principal adverse impacts as explained in this statement.

Sienna is currently working to establish all the necessary mechanisms to be able to monitor the principal adverse indicators that corresponds to the calculation methodology outlined in Annex I of the RTS as well as any recent regulatory clarifications from the EU providing additional information on the calculation methodology of the principal adverse impact indicators. Nonetheless, it may occur that data limitations lead to the use of some estimated data or a lower degree of data coverage for the PAI calculations. In accordance with article 7(2) of the RTS, Sienna will disclose the relevant data coverage of the metrics reported in the annual PAI report as well as being transparent on any estimates obtained from additional research, third party data providers, external experts or even when making reasonable assumptions in these calculations.