Alpha Associates - Sustainability Risk Policy

The Sustainable Finance Disclosure Regulation (SFDR) applied from 10 March 2021 requires financial market participants such as Alpha Associates to provide information to investors with regards to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment.

Under the SFDR, “sustainability risk” refers to 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 the investment. Alpha Associates commits to consider potential and material sustainability risks in the investment decisions and risk monitoring, in order to maximise the financial returns for its investors.

Sustainability Risks include (but are not limited to) the following:

- Environmental risks such as the impact of environmental events such as increased flooding risks on operations of portfolio companies;
- Social risks such as impact of non-compliance with anti-slavery or working conditions laws and regulations by portfolio companies; and
- Governance risks such as inadequate management oversight of portfolio companies.

Sustainability Risk Framework

Alpha Associates has implemented an ESG Policy (available here), pursuant to which Alpha Associates integrates the United Nations-supported Principles for Responsible Investment (PRI), and ESG factors throughout the investment selection, due diligence, decision making and post investment monitoring process.

Moreover, Alpha Associates has implemented an annual ESG reporting platform with ESG consultant SIRSA, which collects relevant sustainability related information from underlying fund managers and fund portfolios via the Reporting21 platform. This furthers the level of transparency offered to clients, as it provides asset class (private equity, private debt, infrastructure) and Alpha Associates product specific ESG reporting on KPIs such as GHG emissions, both on the fund manager and portfolio level, as well as other mandatory principle adverse impact (PAI) indicators as set out in the Regulatory Technical Standards (RTS) of the SFDR.

Every fund manager Alpha Associates invests in receives a score based on the answers provided in the annual ESG reporting on the Reporting21 platform. The overall fund manager score is made up of the score at the management company level and the score at the portfolio fund level, while the completion rate of the questionnaire is also being considered. The score for the management company level covers sustainable practices as well as sustainability in the investment process. In total there are 38 questions that are being assessed for the management company score. The fund level score covers asset class related Environment, Social and Governance questions of the fund portfolio. In total there are 21 questions that are being assessed for the fund level score.

The fund manager scoring and resulting benchmarking are integrated in the ESG due diligence process, enhance the Sustainability Risk evaluation, and contribute to the Alpha Associates manager selection and investment decision process.

This Sustainability Risk Policy is reviewed at least once a year by the Alpha Associates ESG Committee.