Sustainability Risk Disclosure

Introduction

Financial market participants are required by Regulation (EU) 2019/ 2088, also known as the Sustainable Finance Disclosure Regulation (the 'SFDR'), to disclose information about how sustainability-related issues are currently factored into their operations.

NewPort Capital (the 'Fund Manager', the 'Firm', or 'NewPort') strives to be a responsible investment firm having a positive impact on the planet and our society. NewPort lays out a comprehensive approach to identify new or existing sustainability risks (or opportunities) within its portfolios and systematically address the latter to ensure their minimisation.

Sustainability Risks

NewPort Capital defines **sustainability risks** as financial risks associated with environmental, social, or governance (ESG) events or conditions that, if they materialise, could have a real or potential negative impact on the investment's value (in accordance with Article 2(22) of the SFDR).

NewPort has set an ESG policy in place to incorporate sustainability risks in its investment decision-making process. This statement describes the Firm's integration of sustainability risk information. The disclosure further details the processes it has designed to oversee the coherent integration of such risks.

The following is a non-exhaustive list of the various risk categories that the Manager typically identifies as '**sustainability risks**':

1. Regulatory risks: non-compliance with the legal and regulatory reporting requirements for sustainable finance;
2. Governance risks: a lack of administrative oversight on the incorporation of sustainability risks;
3. Social risks: consequences of not adhering with human rights laws or improving working conditions; and
4. Operational/environmental risks: environmental events' effects on portfolio firms' operations, such as deforestation, wildfires, droughts, and floods.

Further details on the Firm's obligations under the SFDR and its strategy for taking sustainability risks into account when making decisions can be found here, which includes the 'Disclosure on the Incorporation of Sustainability Risk into Remuneration.

Sustainability Risk Framework and Processes

NewPort Capital ensures the recognition, monitoring, and managing of critical environmental, social, and governance events, through the internal policies and procedures it has developed to ascertain the presence of coherent processes for risk incorporation. Four categories, namely i) Exclusion, ii) Risk Incorporation, iii) Engagement, and iv) Annual Reporting, can be used to categorise NewPort's methodology.

The following categories were designed to work in tandem to address sustainability in a comprehensive manner.

1. Exclusion

According to NewPort's methodology, the first step is to screen each potential investment against an **Exclusion List** to ascertain no income is generated from the following industries or activities without the unanimous approval of the Investor Advisory Committee:

i) The manufacturing or trading of weapons;
ii) Gambling;
iii) The production or manufacturing of tobacco or the production or marketing of tobacco products;
iv) Pornography;
v) In publicly listed securities except where:
    a. Such investments are made in securities of Portfolio Companies which were acquired when the Manager believed there to be a bona fide intention on the part of the relevant parties involved to de-list the Securities in question; or
    b. Securities in Portfolio Companies acquired in privately negotiated transactions where, at the time of such acquisitions, there was no significant active market or trading in such Securities or where the transaction relating to the Securities in question commercially resembled an investment which was otherwise in the nature of an unlisted investment in a private company.
vi) The production of fossil fuels;[1] and
vii) The production of palm oil.[2]

2. Risk Incorporation

NewPort Capital incorporates quantitative considerations along with the qualitative tools it employs to ensure a thorough inclusion of sustainability risks into its processes. Identification and integration of pertinent sustainability risks and opportunities into the various stages of the investment decision-making process constitute the second category of NewPort's approach, referred to as '**Risk Incorporation**'.

The way in which NewPort does this is as follows. Prior to making any potential investments, the Firm conducts a thorough ESG assessment as part of the due diligence process. This approach is used by the firm to determine whether the potential company's risks are significant and whether they are being managed effectively. This will help the Manager identify KPIs that are specifically pertinent to the business' operations. Such a procedure makes sure that both the company and NewPort are able to put in place a thorough sustainability strategy to address any significant negative sustainability risks or to seize an opportunity arising from the sustainable transition.

Furthermore, throughout the ownership phase of the investment decision-making process, NewPort continuously assesses the existence of concerns regarding the coherent management of sustainability risks. Each portfolio manager is responsible for determining whether the company requires additional support to manage its prevalent or emerging risks.

3. Engagement

The Fund Manager understands the value of a thorough strategy for including sustainability risks into its investing processes. This is ensured via frequent, in-depth, and organised communication with its portfolio companies. NewPort has a fiduciary duty to assist businesses in identifying and managing their sustainability risks.

[1] Please note that exclusion vi) was added to the list starting 1 June 2023.
[2] Please note that exclusion vii) was added to the list starting 1 June 2023.

By creating and implementing its **Engagement** Policy, NewPort carries out such engagement. The following actions are taken by the Firm in an effort to fulfil its fiduciary duty:

- The company's involvement of a portfolio manager to assist in identifying measurements, KPIs, and a strategy to cogently address the issue;
- A milestone evaluation to track the company's development;
- Regular monitoring, during which NewPort evaluates the portfolio company's performance with regard to the issues mentioned as well as the effectiveness of the plan's execution;
- The implementation of an 'Escalation Strategy' to convey the urgency of compliance.

The Engagement policy outlines substantive and procedural guidelines that describe how NewPort engages with its portfolio companies and the best course of action to employ in various situations. In this way, NewPort ensures that its portfolio companies are thoroughly and coherently engaged with to assist them in reducing their sustainability risks.

4. Annual Reporting

The last item in NewPort's toolkit for sustainability risks has to do with recording and disclosing the pertinent hazards found in the prior categories. In the specific investing environment, the Fund Manager will report on sustainability risks and opportunities with financial materiality and will set out a more thorough explanation of the procedure in its ESG policy.

The Firm makes sure that sustainability reporting is performed on a regular basis since it views it as a crucial instrument in monitoring the investments. Please refer to the SFDR Annex to the Periodic disclosure for an overview of which risks are addressed, and the progress made towards such mitigation.

To ensure the cogent management of sustainability risks, NewPort blends the regulations and direction offered by its ESG policy with the knowledge and expertise of its staff. To make an informed choice, the Firm urges clients to carefully review each individual product's disclosures (Fund-level disclosures) since they offer more in-depth explanations of the risk status of each product individually.

Risk Management

The ESG Team oversees guiding, prioritising, and monitoring sustainability risks and opportunities as part of NewPort's governance over the coherent implementation of this management effort. Additionally, it specifies the steps the Firm needs to take to address their materiality.

Each relevant employee (partners, managers, associates and analysts) applies sustainability risks after they have been identified and quantified in accordance with their responsibilities within the company.

This statement has been adopted as of 30 September 2023 and will be examined at least once every 2 years.