

## **SFDR and ESG Disclosure**

### **Disclosures under SFDR and Taxonomy Regulation under Article 3 of the SFDR**

Harel Finance Alternative Luxembourg S.a.r.l (the “**General Partner**”) is currently setting-up an ESG policy to be implemented in the selection process of Harel Finance Alternative HaMagen Europe S.C.S.p (the “**Fund**”) and this disclosure will be amended as soon as this process is completed.

At the date of this disclosure, the General Partner does not integrate environmental, social and governance (ESG) sustainability risks in their investment decisions for the Fund. It results that the Fund qualifies as a non-ESG fund under article 6 of the SFDR. Sustainability risks are defined as environmental, social or governance events or conditions that the General Partner considers could have a principal adverse impact on the value of one or more investments in the Fund in accordance with SFDR.

Sustainability risks are deemed not to have a material impact on the returns of the Fund and are not taken into account in the investment decision-making process of the Fund because they are not deemed relevant, for the time being, due to the characteristics of the investment policy and restrictions and expected portfolio composition of the Fund.

As of the date of this disclosure, the Fund does not have a sustainable investment objective nor promotes environmental or social characteristics and thus, does not fall in the scope of article 8 nor article 9 of the SFDR.

As of the date of this disclosure, the General Partner does not consider the adverse impacts of its investment decisions on ESG factors. The main reason is the lack of information and data available to adequately assess such principal adverse impacts considering that the regulatory technical standards of SFDR which will include the detailed principal adverse impacts disclosure requirements have not yet been adopted.

The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities.

## Appendix

### TRANSPARENCY OF THE PROMOTION OF ENVIRONMENTAL AND SOCIAL CHARACTERISTICS

The purpose of the present Appendix is to comply with the requirements of the SFDR.

This financial product promotes environmental or social characteristics but does not have as its objective a sustainable investment.

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (the “**Taxonomy Regulation**”) sets criteria to determine which economic activities qualify as environmentally sustainable at the level of the European Union.

The Taxonomy Regulation requires the General Partner, or the AIFM if applicable, to disclose (i) how and to what extent it has used the Taxonomy Regulation to determine the sustainability of the Fund’s underlying investments; and (ii) to what environmental objective(s), as set out within the Taxonomy Regulation, the underlying investments contribute.

The analysis and disclosure requirements introduced by the Taxonomy Regulation are very detailed and compliance with them requires the availability of multiple, specific data points in respect of each investment which an Article 8 fund or an Article 9 fund under SFDR makes. Due to the delay to the publication of the final regulatory technical standards supplementing the Taxonomy Regulation and the related absence of sufficient reliable, timely and verifiable data, it is not currently possible to state the proportion of the Fund’s investments that contribute to environmentally sustainable economic activities (in line with the final regulatory technical standards which as at the date of this disclosure are not yet available). Therefore, for the purposes of the Taxonomy Regulation, it is not possible to definitively disclose whether the investments underlying the Fund will take into account the EU criteria for environmentally sustainable economic activities.

The General Partner remains committed to complying with the Taxonomy Regulation and keeping this situation under active review. When the requirements of the Taxonomy Regulation (as outlined in the regulatory technical standards) are finalised and sufficiently reliable, timely and verifiable data on the Fund’s investments become available, the General Partner will provide detail on the extent to which the Fund’s investments qualify as environmentally sustainable economic activities, in which case this disclosure will be updated.

#### **‘What environmental and/or social characteristics are promoted by this financial product?’**

A description of the ESG characteristics promoted by the fund can be found below. Not all characteristics are applicable for each investment. Instead, the characteristics applicable for a certain investment are selected using the materiality-principle. The General Partner constantly develops its approach and adding characteristics to the list.

Area	Characteristics	Indicator
Environmental	Mitigation of Overall Environmental Impact	The borrower or relevant counterparty regarding the underlying investment (“ <b>company</b> ”) approach to incorporating environmental factors in investment processes and strategies

	Reduction of Greenhouse Gas Emissions	Short term approach to manage Scope 1 emissions
		Long term approach to manage Scope 1 emissions
		Measurement, monitoring and reporting on scope 2 and/or 3 emissions
	Improvement of Air quality	Measurement, management and mitigation of air emissions of industry specific pollutants
	Energy Management	Percentage of energy used in industry specific process that are derived from renewable sources.  Targets regarding increasing energy derived from renewable sources
		Targets regarding reduction of energy consumption
	Water management	The company's approach to water management risks and practices to mitigate those risks
		the company's approach to sustainable water management and any strategies and practices to conserve water as a quality resource
	Waste Management	Industry Specific Management of Waste Management
Reduction of Waste		

Sustainable Materials Sourcing	Percentage of industry specific material that is Certified as Sustainable	
	Procurement Process includes Sustainability Aspects	
	The company's approach to optimize materials efficiency	
Mitigation of Product Lifecycle Environmental impacts	Industry Specific Management Systems of Product Lifecycle Environmental impacts	
	Integration of Environmental Impacts in the User Phase	
	The company's approach to manage the impact of the product at end-of-life, including reference to recovered, reused, recycled material or material that were landfilled	
Reduction of Impacts on Biodiversity	Industry Specific approach to Manage and Mitigate their Ecological Impacts	
	processes to integrate environmental considerations into the company's operations and strategies	
	The company's environmental management policies and practices to preserve ecosystem services	
Climate Change Adaptation	The company's approach to identify and mitigate Climate Change risk exposure	

		The company's integration of climate change related impacts into operational strategy
Social	Mitigation of Overall Social Impacts	The company's approach to incorporating Social factors in investment processes and strategies
	Diversity and inclusion	Company policy that supports anti-discrimination
		Company policy that supports diversity and equal opportunity
		Percentage of gender representation for (1) management, (2) professionals, and (3) all other employees
	Labour Rights	The company's processes to ensure compliance with international norms and standards relating to labour practices
		Workforce covered by Collective Bargaining Agreement
		The Company's approach to prevent Worker Harassment
	Human Rights	Company Code of Conduct applicable to suppliers
		Audits and follow-ups on supplier compliance with Code of Conduct

		Management and mitigation of Company Operations' Effect on Society
Employee Health and Safety		Company Health and Safety Policy
		Industry Specific Safety Management System
Customer Health and Safety		Industry Specific processes to identify and manage safety risks associated with the use of the company's products
		Industry Specific processes to assess and manage risks and/or hazards associated with chemicals in products
		Industry specific approach to managing addiction associated with the use of the company's product or services
Data Privacy		The Company's approach to ensure customer privacy
Data Security		The Company's approach to identifying and addressing data security risks
		The company's approach to ensuring intellectual property (IP) protection
Ethical Marketing and Selling Practices		The company's approach to informing customers about products and services

	Animal Welfare	The Company's Approach to Ensuring Animal Welfare in their Operations and/or Supply Chain
Governance	Overall Good Governance	The company's approach to incorporating good governance factors in investment processes and strategies
	Anti-corruption	Company policy on anti-corruption
		Whistle-blower function
	Anti-competitive Behaviour	Company policy on anti-competitive behaviour
	Diverse Board Structure	Processes for determining the composition of the board
		Independence of Chair of the Board
		Independence of Members of the Board
	ESG Promoting Executive Pay	ESG metrics linked to executive pay
	Fair Tax	Policy on tax and tax planning
		Countries where the company operates/countries where the company pays tax
Transparency	Reporting	

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### **'What investment strategy does this financial product follow?'**

By integrating sustainability into the Fund's investment thesis, the General Partner believes that it will benefit the Fund's long-term investors and contribute to the development of sustainability in society at large.

To measure the attainment of each ESG characteristic as well as management of the risks the General Partner intends to employ a qualitative analysis of the issuer's or the portfolio company's management systems and integration of said characteristics and risks in the operational strategies and practices. The following steps and processes are used as the foundation for the General Partner's analysis.

#### *1. Include*

The General Partner has a thorough due diligence process as part of its investment process. The procedure requires all issuers to respond to a set of ESG questions, outlining industry and company specific factors and broad ESG factors as well as agreeing to provide ESG reporting during the tenor of the bond.

The General Partner has a solid due diligence process and ESG factors have the same significance in investment decisions as in the financial analysis.

The General Partner has two strategies when investing responsibly. The first strategy involves targeting issuers that have a mature sustainability strategy that is aligned with the Fund's business model. Under this strategy, the General Partner will not invest in issuers that do not meet its minimum ESG thresholds, regardless of their financial performance. The other strategy entails investing in issuers with a less mature sustainability strategy but with a commitment to develop a transparent and ambitious action plan to transition into a sustainable company. This transition bond strategy includes the General Partner as an active partner and a support to the company in their advancement.

#### *2. Exclude*

The General Partner intends to exclude investments in companies operating in specific sectors or business areas that are deemed to meet major sustainability challenges. The General Partner also refrains from investing in companies that engage in activities that violate international guidelines and conventions. All of the General Partner's funds comply with this basic sustainability criteria and therefore do not invest in companies that are active within the weapon industry, pornography, tobacco, gambling, have more than 10 percent from alcohol sales or is in violation of international norms and standards.

#### *3. Monitor and Engage*

The companies that the Fund invests in are typically in the small to midcap segment. As a result, the General Partner can have a direct access to management and keep an ongoing dialogue. To the extent applicable, the General Partner also has more formal quarterly management meetings or discussions with issuers and counterparties where ESG developments are discussed as well as semi-annual in-depth screenings to identify any issues from an ESG perspective.

If the General Partner receives signals that that the company does not live up to its expectations, a formal engagement process is initiated.

#### *4. Encourage and Support*

The ambition with the engagement is to influence and support the company to take measures to meet the General Partner expectations. The General Partner see an exit as a last resort when the company repeatedly and for a longer period of time shows inability or unwillingness to change its procedures.

**‘What is the asset allocation planned for this financial product?’**

The General Partner’s strategy to promote ESG characteristics covers all AUM with the conviction that by integrating sustainability into the Fund’s investment thesis, it will benefit long-term investors and contribute to the development of sustainability in society at large.

**‘Does this financial product take into account principal adverse impacts on sustainability factors?’**

*As the data points available may not be sufficient to enable the General Partner to systematically assess the potential adverse impact of investment decisions on Sustainability Factors, the General Partner will not consider principal adverse impacts at this point in time.*