Sustainability Risk Assessment

Owner:	Head of Risk & Control
Date:	06-June-2024
Regarding:	Financial Risk Policy implementation
Scope:	All Funds and Mandates affected by the Sustainability Financial Disclosure Regulation (SFDR)

1. Statement

Triple Jump has integrated the assessment of sustainability risks into its investment process across the funds and mandates it manages. In response to the EU ESG (Environment, Social and Governance) regulations and the Sustainability Financial Disclosure Regulation (EU) 2019/2088, SFDR), organizations in scope need to implement sustainability risk controls.

The objective of sustainability risk controls is to obtain a consistent method that assesses and measures this risk. The Sustainability Risk control is based on the outside-in principle, which means how outside conditions such as the Environment, Social and Governance factors that are beyond the control of Triple Jump can potentially affect the financial performance of our investments. When the outside conditions manifest in terms of materialized risks, they can negatively influence the value of our funds or mandates. The control aims to identify, measure and prioritize (in terms of impact) how each sustainability risk can materialize and ultimately affect our investments.

The purpose of the control framework is not to assess how each individual investee impacts the environment, social or governance conditions in which they operate (inside-out approach), but rather to assess how the value of the portfolio could be affected when ESG risks materialize.

a. Definition of Sustainability risk and its risk factors

Sustainability risk is an ESG event or a related condition in which negative impact or potentially negative impact of significant magnitude materializes in the value of investment.

Triple Jump uses sustainability (ESG) risk factors as a reference to assess relevant environmental, social and governance influences that could cause a potential negative impact on our investments. These risk factors could cause adverse effects in the context of sustainability and should they materialize may negatively affect the investment. A distinction can be made between permanent and temporary risks, as well as risks inherent to investments and risks separated from investments. For example, the risk of a volcanic eruption is separated from investments and is of permanent nature in certain geographical regions. A hurricane is a separate risk and in certain geographical regions of temporary nature depending on the season. An example of inherent and temporary risks is governance conditions of the company in which an investment is made.

The following sustainability (ESG) factors are considered at Triple Jump:

Environmental	Social	Governance
Climate change: Extreme weather, Droughts	Human rights	Management structure & compensation
Natural disasters: earthquakes eruptions, hurricanes, floods	Health & safety	Accounting & auditing standards
Biodiversity	Equality & diversity	Board leadership, diversity and independence
Pollution	Political and social unrest	Fraud
Water usage	Corruption	
Energy management		

b. Assessment & Monitoring

The most important method to mitigate the risks of specific sustainability factors, is to diversify the portfolio of investments over different regions. This diversification is handled at two different levels: i) by the mandate restrictions which set boundaries to maximum exposure towards regions and/or countries, and ii) the individual county risk assessment undertaken by Triple Jump.

The mandate restrictions describe the maximum appetite of investors regarding the exposure to single regions and countries and steer the mandate's exposure to those regions to which exposure is warranted. The country limits imply limits on single countries based on the perceived risk in a country and are by construction lower than mandate restrictions. Important factors in determining the risk are the political stability of the country and the risk of infrastructure disruption due to climate events.

On the investee level an assessment of sustainability risks is made in the appraisal form for an investment proposal. This is based on an individual assessment of the situation and exposures of the investee. Topics that can be addressed are exposure towards dry regions, regions close to water, and the political, social and infrastructural situation in the country.

The monitoring of sustainability risks takes place at two different levels: at the investee level and at the portfolio level.

Investee level

Quarterly monitoring of investee performance is conducted by the investment team on all investees in the portfolio. This includes the review of quarterly reports submitted by the investee, interviews with management and occasionally an onsite visit. The development of the portfolio, regional and sector exposures, the political situation in the countries of exposure and the operating environment of the investee are assessed.

Portfolio level

At this level the focus is on i) maintaining sufficient regional and sector diversification, and ii) monitoring political developments of the invested countries.

Adherence to the investment mandate restrictions and country limits is checked monthly and updating the country risk scores. Both actions provide insight into the portfolio's developments regarding environmental and political sustainability risks.

In addition to the above the Responsible Investment Policy describes how Triple Jump integrates ESG factors throughout the various phases of the investment process and decision making

Continuous Improvement

Triple Jump intends to continuously improve its assessment and monitoring process of sustainability risk. Given that we invest in countries and investees where data is not always available or of sufficient quality, we engage with our investees to improve the data collection and adapt our processes accordingly. In addition, we take part in industry initiatives to address common challenges in assessing sustainability risks.