

SFDR DISCLOSURE: ADAMANTEM CAPITAL FUND II

Website disclosure for Adamantem Capital Fund II (the **Fund**) which is managed by Adamantem Capital Management Pty Ltd (**Adamantem**), pursuant to the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (**SFDR**) Article 10 for financial products referred in SFDR Article 8(1).

Summary

Adamantem is a non-EU alternative investment fund manager (**AIFM**) appointed to the Fund which is domiciled in Australia and distributed in part in Europe.

Under Article 10 of SFDR, Adamantem is required to include the following disclosures with respect to the promotion of environmental or social characteristics on its website, in accordance with the requirements set out in the associated Regulatory Technical Standards in Commission Delegated Regulation ((EU) 2022/1288) (**RTS**).

Adamantem strives to deliver outstanding financial returns on all investments alongside positive contributions to social and environmental outcomes. Adamantem defines “responsible investing” (**RI**) as the integration of environmental, social and governance (**ESG**) considerations into investment decision-making processes and corporate stewardship activities.

Adamantem has developed a Theory of Change which seeks to clarify how the RI activities Adamantem undertakes contribute to the following outcomes, which we call our “pillars of responsible investing” (**RI Pillars**):

- **Financial performance:** outstanding financial return on investment achieved
- **Environmental sustainability:** reduced impact on the natural environment and contribution to climate solutions to avoid deterioration of natural resources
- **Social Inclusion:** increased opportunities for positive social and economic inclusion and engagement for stakeholders and the community
- **Governance and Transparency:** enhanced relationships of trust with all stakeholders

Through its investments, the Fund promotes environmental and social characteristics, but does not have as its objective sustainable investment. Adamantem’s approach to responsible investing is set out in its Responsible Investing and Impact Investing Policy (**RI&I Policy**).

Environmental and social outcomes in the Fund’s portfolio companies are monitored and measured through a proprietary ESG Outcomes Reporting Framework as well as our Quarterly Portfolio Company Review process and Board meetings.

Annually, Adamantem reports on our responsible investment and climate approaches and outcomes which are shared with our investors and publicly – the latest Responsible Investing Report can be accessed [here](#) and our inaugural Climate Action Report accessed [here](#).

No sustainable investment objective

The Fund promotes environmental and social characteristics but does not have as its objective sustainable investment. Adamantem’s approach to responsible investing is set out in its RI&I Policy, available [here](#). The Fund may make sustainable investments but does not commit to do so.

Environmental or social characteristics of the financial product

Adamantem strives to deliver outstanding financial returns on all investments alongside positive contributions to social and environmental outcomes. Adamantem defines “responsible investing” as the integration of ESG considerations into investment decision-making processes and corporate stewardship activities.

Adamantem has developed a Theory of Change which seeks to clarify how the RI activities Adamantem undertakes contribute to the RI Pillars:

- **Financial performance:** outstanding financial return on investment achieved
- **Environmental sustainability:** reduced impact on the natural environment and contribution to climate solutions to avoid deterioration of natural resources
- **Social Inclusion:** increased opportunities for positive social and economic inclusion and engagement for stakeholders and the community
- **Governance and Transparency:** enhanced relationships of trust with all stakeholders.

Consistent with Adamantem's RI&I Policy and the Private Placement Memorandum of the Fund, the Fund promotes environmental characteristics as part of its 'environmental sustainability' responsible investing outcomes. In particular, Adamantem will support the companies in the Fund portfolio to develop an emissions reduction strategy with a view to achieving "net zero" in relation to Scope 1 and Scope 2 emissions within 10 years of the Fund's acquisition of the company.

Investment strategy

The Adamantem RI&I Policy applies to all investments of the Fund, a copy of which is publicly available [here](#).

1 – Exclusions - The RI&I Policy sets out a list of businesses that the Fund will not invest in.

2 – ESG Issues Considered - Adamantem believes that a broad and comprehensive range of ESG issues must be considered in a commercial context in order to make better investment decisions. Although ESG is not capable of precise definition due to its broad and ever-changing nature, the RI&I Policy sets out illustrative examples of the range of different ESG factors that Adamantem may consider in its investment decision making process. Where it is appropriate to apply a materiality lens to the ESG issues considered, Adamantem will focus on those ESG issues it determines have, or may reasonably be expected to have, a significant effect on the financial, environmental or social performance of a proposed investment.

3 – Investment Decision Making Process – ESG risks and value creation opportunities are identified and evaluated at each stage of our investment decision making process. The Adamantem Investment Committee has ultimate accountability for the integration of ESG considerations into the investment decision-making process and will only proceed with a transaction where it is satisfied that any ESG issues are appropriately addressed.

4 – Stewardship – ESG due diligence findings are also used to develop ESG improvement plans within portfolio companies as part of the onboarding and 500 Day Plan processes.

5 – Exit – Adamantem will systematically incorporate material ESG considerations into preparations for exit in a manner which it deems appropriate and proportional in relation to the exit strategy.

Proportion of investments

The RI&I Policy applies to all investments of the Fund and all investments in portfolio companies are made directly the Fund or its acquisition vehicles.

Monitoring of environmental and social characteristics

As part of its commitment to stewardship, Adamantem actively supports the Fund portfolio companies' management teams to integrate ESG improvement initiatives and includes responsible investing reporting into portfolio company Board calendars. Adamantem monitors progress and achievement with respect to these initiatives through its Quarterly Portfolio Company Review process.

Adamantem monitors and tracks the ESG performance of portfolio companies in the following ways:

- ESG improvement initiatives established with each portfolio company within the onboarding process and 500 Day Plans to generate responsible investing outcomes
- Adamantem sets milestone dates for each portfolio company for completion of ESG workstreams. Progress against these workstreams is monitored through the Quarterly Portfolio Company Review process.
- Adamantem has developed an "ESG Outcomes Reporting Framework" which enables portfolio companies to report on over 25 sustainability metrics on an annual basis, aligned to the Ten Principles of the UN Global Compact and designed with reference to the Global Reporting Initiative Standards. This was rolled out to Fund portfolio companies in March 2022 and will be reported on annually by portfolio companies going forward.

Methodologies

Adamantem uses the following methods to measure ESG characteristics:

- Self-reporting by portfolio companies under the "ESG Outcomes Reporting Framework"
- External adviser audits on characteristics such as Scope 1 and Scope 2 emissions estimates and assessment of cybersecurity maturity profile
- Industry benchmarking where such data is publicly available

Data sources and processing

Adamantem collects data on a regular basis through the Quarterly Portfolio Company Review process and annual reporting under the ESG Outcomes Reporting Framework. In most cases data is provided by portfolio companies directly and is processed by Adamantem for external reporting. In some limited cases data is provided by an external adviser, such as in the case of Scope 1 and Scope 2 emissions. Where data is unavailable and Adamantem determines that estimation will provide a reasonable proxy, estimates may be used. Data is confirmed through engagement with portfolio companies.

Limitations to methodologies and data

The Fund targets mid-market companies. Therefore, the degree of automation and digitalisation in data gathering may be limited and a high degree of manual data collection and processing will likely be necessary. Relevant resources may also be limited based on company size. These factors may impact data quality. Adamantem works closely with portfolio company to review data and provide tools and support with respect to ESG initiatives to mitigate these limitations where possible.

Due diligence

Adamantem undertakes financial, legal and ESG due diligence on all potential investments through a combination of external advisors and in-house experts, in accordance with the Adamantem RI&I Policy, which applies to all investments of the Fund, a copy of which is publicly available [here](#).

Due diligence feeds into the first three phases of the investment process:

1 – Exclusions - The RI&I Policy sets out a list of businesses that the Fund will not invest in.

2 – ESG Issues Considered - A range of different ESG factors are considered in the due diligence process, depending on the nature of the potential investment business and its operations. Where it is appropriate to apply a materiality lens to the ESG issues considered, Adamantem will focus on those ESG issues it determines have, or may reasonably be expected to have, a significant effect on the financial, environmental or social performance of a proposed investment.

3 – Investment Decision Making Process – ESG due diligence plan, key findings and climate risk analysis must be presented to the Adamantem Investment Committee before a decision to invest is made. The Adamantem Investment Committee will only proceed with a transaction where it is satisfied that any ESG issues identified in the due diligence phase are appropriately addressed.

Engagement policies

Adamantem's stewardship approach, described in "Monitoring of environmental and social characteristics" establishes the framework for engagement with portfolio companies.

Adamantem prepares an annual Responsible Investing Report and Climate Action Report which summarise the annual results and achievements of the Fund and portfolio companies' ESG initiatives, which are publicly available [here](#) and [here](#). In accordance with our RI&I Policy, Adamantem Capital will use commercially reasonable endeavours to notify our investors within a reasonable time frame of any serious ESG incident that occurs within the portfolio and details of related corrective actions.

Designated reference benchmark

Not applicable

Version	Date	Amendments
1.0	22 December 2022	

Important Notice and Disclaimer

Adamantem Capital Management Pty Ltd (ACN 616 283 124) (authorised representative number 1250911) (Adamantem) is the investment manager of Adamantem Capital Fund II (Fund). Adamantem only provides financial services to wholesale clients, as defined in section 761G of the *Corporations Act 2001* (Cth). The information contained in this disclosure (disclosure) was prepared by Adamantem.

This information is provided solely for the purposes of compliance with SFDR and shall not form the basis of any contract and shall not be binding against, or create any obligations or commitment on the part of Adamantem or its affiliates. In relation to the Fund, the sole basis for legal obligations between Adamantem and the investors in the Fund is in the legal documentation relating to the Fund.

Anyone reading this disclosure must obtain and rely upon their own independent advice and inquiries. Investors should consider the current offering memorandum (Memorandum) for the Fund before making any investment decision with respect to an investment in the Fund. It is important investors obtain and read a copy of the Memorandum before making a decision about whether to acquire, continue to hold or dispose of interests or units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. A copy of the current Memorandum may be requested by emailing info@adamantem.com.au.

Adamantem believes that the information contained in this disclosure is accurate as at the date of the disclosure. Adamantem does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability. This disclosure should be regarded as general information only rather than general or personal advice. In preparing this disclosure, Adamantem did not take into account the investment objectives, financial situation and particular needs of any individual person. This disclosure may consist of forward-looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied. Past performance is not a reliable indicator of future performance.

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