

Due Diligence Policy with respect to Principal Adverse Impacts

August 2024

Driehaus Emerging Markets Sustainable Equity Fund

Driehaus US Small Cap Equity Fund

Driehaus US SMID Cap Equity Fund

1. Introduction

This document sets out the investment due diligence policy of the following Heptagon Fund ICAV sub-funds with respect to Principle Adverse Impacts (“PAIs”). Heptagon Capital Limited is the Investment Manager, and Driehaus Capital Management (“DCM”) is the appointed sub-investment manager of the below mentioned sub-funds. DCM has agreed, to the extent relevant data is available and on a best-efforts basis, to consider PAIs as that term is defined in Article 4 of the SFDR in making portfolio management decisions for the following sub-funds:

- Driehaus Emerging Markets Sustainable Equity Fund
- Driehaus US Small Cap Equity Fund
- Driehaus US SMID Cap Equity Fund

2. Background and Summary

The Driehaus Emerging Markets Sustainable Equity Fund, the Driehaus US Small Cap Equity Fund and the Driehaus US SMID Cap Equity Fund (“the sub-funds”) are sub-funds of Heptagon Fund ICAV, an open-ended umbrella-type Irish Collective Asset-management Vehicle authorised by the Central Bank of Ireland as an undertaking for collective investment in transferable securities. These sub-funds are classified as Article 8, promoting Environmental and Social characteristics under the SFDR.

3. Description of principal adverse sustainability impacts/due diligence and investment phase

DCM’s PAI consideration is two-fold:

- a) **Exclusions***: At the outset, certain companies are excluded from the investment universe for each sub-fund due to involvement in controversial weapons and violations of the UN Global Compact. Given each sub-fund’s exclusionary policy, the PAI related to violations of UN Global Compact and exposure to controversial weapons are deemed considered to the extent the impacts are neutralized by each exclusion.

**Refer to each sub-fund’s supplement for details on exclusions and revenue thresholds allowed.*

- b) **PAI process**: Further to each sub-fund’s exclusionary policy, each month, the DCM’s risk management team will run a “PAI Portfolio Report” using the SFDR Solutions tool provided by a third-party vendor. The report will be run at a portfolio level and will include aggregated data for certain PAIs as are selected by the risk management team and confirmed by the portfolio management team. The selected PAIs may be changed at the discretion of DCM’s portfolio management and/or risk team; The PAIs currently considered are listed in *Appendix 1 – PAIs considered* - below.

Additionally, the risk management team will break down each selected PAI indicator to identify which names in the portfolio are contributing to such PAI metric that is shown in the aggregated report.

Respectively, the risk management team will review each company's performance on the selected PAI indicators against the performance of the MSCI Emerging Markets Index, the Russell 2000 Growth and the Russell 2500 Growth (respectively "the benchmarks" for the three relevant sub-funds covered by this policy) as to such indicators and as compared to each company's industry group (and if this is not available, its sector classification) to determine whether any companies are performing *very negatively*. The threshold for this determination will be:

- a. for PAI indicators where having a low score correlates to being "negative," such as, for example, Board Gender Diversity, companies that are ranked in the bottom decile will be considered to score "very negatively";
- b. for PAI indicators where having a high score correlates to being "negative," such as, for example, Carbon Footprint, companies that are ranked in the top decile will be considered to score "very negatively";

4. Description of policies to identify and prioritise principal adverse sustainability impacts

The PAIs are identified by breaking down each selected PAI indicator from the aggregate portfolio data to the individual names to identify which companies in the portfolio are contributing to such PAI metric.

The risk management team then reviews each company's performance on the selected PAI indicators against the performance of the benchmarks, as to such indicators and as compared to each company's industry group (and if this is not available, its sector classification) to determine whether any companies are performing very negatively.

If a company in the portfolio has been identified as scoring "very negatively" on any of the selected PAI indicators, the following actions may be taken:

1. The risk management team will carry out internal research to find any existing ESG information for the company, such as DCM ESG comments, engagements, and subjective ratings. If a specific company does not have DCM ESG research, efforts may be made to research any information on the company's ESG practices and DCM may engage with management if deemed necessary. In the event no further information is obtained after engagement, this will be documented and revisited if deemed material by the portfolio management team;
2. The portfolio management team will document their rationale for holding a name despite it scoring very negatively on one or more specific PAI indicators. The portfolio management team's rationale should be documented internally by DCM and will be available to the Investment Manager on request. DCM does not anticipate that a "very negative" classification will cause the portfolio management team to sell a company necessarily.

5. Engagement Policies

When deemed necessary, DCM may engage with management of companies.

Generally, DCM's engagement efforts with companies serve as a tool to further evaluate and explore risks, including material ESG risks, to enhance due diligence, and to reinforce industry wide efforts to encourage companies to embrace and disclose sustainable practices.

DCM's engagement efforts are generated on a case-by-case basis and centered around the most relevant or material risks for a given company. Some of the team's ESG engagement priorities may be to understand size, nature and trend of any controversy, as well as a company's strategy to manage such controversies, to address non-compliance with the UN Global Compact or the severity of our risk related to ESG. Specifically, with respect to engagement related to a very negative score on one or more PAI indicators, we may engage, for instance, to learn said company's perspective and or approach on the PAI indicator. DCM does not expect the company's rating to improve as a result of our engagement, but rather that DCM will better understand the accuracy of such score and whether management's practices are improving over time.

6. References to international standards

DCM, the Sub-Investment Manager of the sub-funds in scope as well as Heptagon Capital Limited, the Investment Manager of the Heptagon Fund ICAV, are signatories of the UN Principles for Responsible Investment (UN PRI) since 15th July 2019 and 10th July 2019 respectively. As signatories of the Principles for Responsible Investment, DCM and Heptagon are committed to incorporating ESG factors and sustainability within its processes.

DCM is also a member of the Investor Stewardship Group ("ISG"). The ISG was formed as a sustained initiative to establish a framework of basic investment stewardship and corporate governance standards for U.S. institutional investor and boardroom conduct.

Appendix I – PAIs considered

1. Driehaus Emerging Markets Sustainable Equity Fund

PAI Number	Description	Metric
2	Carbon footprint	Carbon footprint / the total amount of greenhouse gases that are generated by our action
4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
13	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

2. Driehaus US Small Cap Equity Fund and the Driehaus US SMID Cap Equity Fund

PAI Number	Description	Metric
4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
13	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons