



# PRI REPORTING FRAMEWORK 2019

## Direct — Hedge Funds

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## Understanding this document

In addition to the detailed indicator text and selection options, in each module of the PRI Reporting Framework you can find information that will help you identify which indicators are relevant to your organisation.

### Top bar






Key information about each indicator is highlighted in the top bar, including the indicator status (mandatory or voluntary), the purpose of the indicator and the PRI Principle to which it relates.

xxx 01	Indicator status <b>MANDATORY</b>	Purpose <b>CORE ASSESSED</b>	Principle <b>PRI 2</b>
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### Indicator status

<b>MANDATORY</b>	Mandatory indicators reflect core practices. These responses will be made public and must be completed to submit the framework.
<b>MANDATORY TO REPORT VOLUNTARY TO DISCLOSE</b>	Some indicators are mandatory to complete, but voluntary to disclose. These indicators may determine which subsequent indicators are applicable or are used for peering, but they may also contain commercially sensitive information.
<b>VOLUNTARY</b>	Voluntary indicators reflect alternative or advanced practices. These indicators are voluntary to report and disclose.

### Purpose

Gateway		The responses to this indicator 'unlock' other indicators within a module if they are relevant to your organisation. Please refer to the logic box for more information.
Peering		These indicators are used to determine your peer groups for assessment purposes.
Core assessed		These indicators form the core of the assessment and represent the majority of your final assessment score.
Additional assessed		These indicators represent more advanced or alternative practices and contribute to a smaller part of your score.
Descriptive		These are open-ended narrative indicators, allowing you to describe your activities.

### Underneath the indicator

Underneath the indicator, you can find explanatory notes and definitions which include important information on interpreting and completing the indicators. Read the logic box to make sure an indicator is applicable to you.

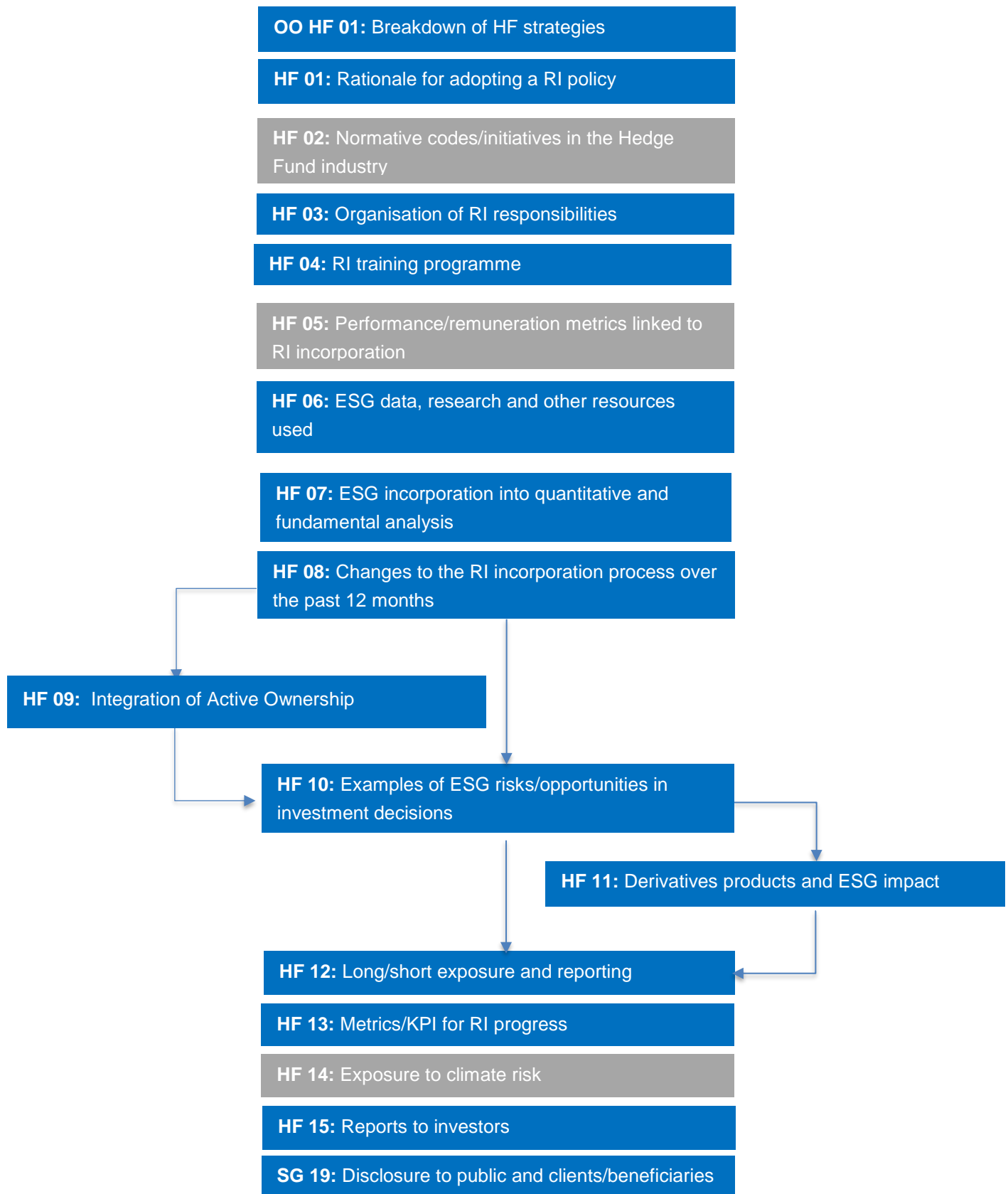
xxx 01	EXPLANATORY NOTES
xxx 01.1	This provides guidance on how to interpret the sub-indicators, including examples of what can be reported.
xxx 01.2	
LOGIC	
xxx 01	This explains when this indicator is applicable and/or if it has an impact on subsequent indicators. If there is no logic box, the indicator is always applicable and does not affect other indicators.

xxx 01	DEFINITIONS
xxx 01	Specific terms that are used in the indicator are defined here.

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## Pathways through the module



## Preface

The information reported in this module will enable your stakeholders to understand your organisation's overall approach to responsible investment (e.g., governance, responsible investment policy, objectives and targets, resources allocated to responsible investment, and your approach to collaborations on responsible investment and public policy-related issues), and the incorporation of ESG issues into asset allocation.

It is mandatory for all PRI signatories to complete this module if more than 10% of their assets under management (AUM) are directly invested in hedge funds. This does not include cash and only concerns investments made directly by your organisation without engaging an external investment manager.

If your hedge fund investments are constrained in any way that limits your ability to apply a RI approach, you should explain this in the relevant free text indicators.

Further details are available in the [PRI – HF Responsible Investment Guide](#) that will be available in January 2019.

Contact the PRI if you require further clarification.

## Background

The Hedge Funds module has been developed to provide a comprehensive and forward-looking set of indicators. In places, the indicators concern fairly advanced practices, including practices which the PRI expects will become more common as signatories make progress as responsible investors in this investment strategy.

To view a detailed summary of the changes to the module, please click [here](#).

For any word limit in the module, please click [here](#).

## SECTION

## Policy

HF 01	Indicator status MANDATORY	Purpose DESCRIPTIVE	Principle GENERAL
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HF 01	INDICATOR
HF 01.1	<p>What is your rationale for adopting a policy to incorporate RI into the investment decision-making process?</p> <p>Please select all options that apply to your organisation.</p> <p><input type="checkbox"/> To provide a framework and ESG applicability to security selections (the strategy) and decision making in Hedge Funds (e.g., breaking the strategy into different components and focusing on risk/return)</p> <p><input type="checkbox"/> To provide a framework for the fund governance structure</p> <p><input type="checkbox"/> Because ESG incorporation is perceived as a competitive advantage in the industry</p> <p><input type="checkbox"/> Growing momentum of sustainable investing in Hedge Funds in the financial community</p> <p><input type="checkbox"/> Other (specify)</p> <p><input type="radio"/> None of the above (<b>we don't have a policy addressing RI incorporation into Hedge Funds</b>)</p>
HF 01.2	<p>Additional information</p> <p>[OPTIONAL]</p>

HF 01	EXPLANATORY NOTES
HF 01	<p>This indicator is applicable to all signatories. Adopting a responsible investment policy is covered at a high-level in the module Strategy and Governance within indicator SG 01. This indicator HF 01 refers specifically to your hedge fund investments and the main reasons your organisation considers when addressing RI in hedge funds.</p> <p>For example, a responsible investment policy addressing hedge funds investments may include the following:</p> <ol style="list-style-type: none"> <li>1. A statement of the hedge fund managers to <b>behave with the highest legal, ethical and professional standards</b>.</li> <li>2. The managers will act as a <b>responsible owner</b> when holdings are made in an investee company.</li> <li>3. The managers will <b>not borrow shares with the purpose of voting</b> those shares</li> <li>4. The governance structure will be used to provide <b>appropriate levels of oversight</b> in the following activities: valuation, audit, risk management and conflict of interests.</li> <li>5. <b>Compliance will be supported</b> at investee companies compliant with applicable local laws in the country invested.</li> <li>6. We will <b>track the potential impacts</b> of our activities on the markets and we will act consequently for the best interests of the community.</li> </ol> <p>For further guidance on how to design and implement a responsible investment policy, please refers to the Strategy and Governance module SG 01 guidance.</p>

HF 01	DEFINITIONS
<b>Responsible Investment policy</b>	A responsible investment policy refers to an overall statement that actualises the approach on how your organisation will achieve its identified mission in incorporating RI or ESG issues, and will build on your investment strategy, outline your investment objectives, and give guidance to investment processes as well as your standards for measuring success/performance.
<b>Fund governance</b>	<p>The fund governance relates to the work conducted by the governing body of an investment fund to ensure that the best interests of the fund and its investors are respected and in line with the regulation applicable in the jurisdiction where the fund is operated.</p> <p>When the fund is operated offshore, a company is generally set up and the governing body is the board of directors. This board of director will have full oversight and responsibility of the management of the fund.</p>
<b>Hedge fund strategy</b>	<p>A hedge fund strategy follows a specific risk/return objective and can be classified in distinct categories. Throughout this module, we will refer to the HFR classification to emphasize a specific strategy.</p> <p>A given strategy includes generally the following elements:</p> <ul style="list-style-type: none"> <li>- Market conditions: level of interest rates, volatility, etc.</li> <li>- One or several different financial instruments: equity, fixed income, derivatives, etc.</li> <li>- A sector: healthcare, utilities, etc.</li> <li>- One method or more of asset selection: quantitative, fundamental approach, etc.</li> <li>- Diversification approach: risk management, sector or regional diversification, etc.</li> </ul>

HF 02	Indicator status <b>VOLUNTARY</b>	Purpose <b>DESCRIPTIVE</b>	Principle 4,5
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HF 02	INDICATOR
HF 02.1	To which normative codes and initiatives are you a signatory or voluntary adherent?
	<input type="checkbox"/> AOI Hedge Funds Principles 2014 <input type="checkbox"/> Standard Board for Alternative Investments (SBAI) <input type="checkbox"/> Alternative Investment Management Association (AIMA) <input type="checkbox"/> International Organisation of Securities Commissions (IOSCO) <input type="checkbox"/> CFA's Asset Manager Code of Professional Conduct <input type="checkbox"/> Other, specify _____ <input type="radio"/> None of the above
HF 02.2	Additional information

HF 02	EXPLANATORY NOTES
HF 02.1	This question is also covered on the SG module (SG 07) at a high level. For clarity purpose and in order to differentiate hedge funds investments from other categories of investments, HF 02.1 mainly lists on a non-exhaustive basis normative codes and initiatives that mainly pertain to the hedge funds industry but not exclusively.

HF 02	DEFINITIONS
<b>AOI</b>	Alignment Of Interests Association (AOI): a non-profit, investor-driven organisation focused on strengthening the alignment between hedge fund industry participants. Its mission is to foster investor collaboration, provide an independent forum for the exchange of ideas and contribute to the sharing of educational resources among investors.
<b>Standards Board for Alternative Investments (SBAI)</b>	Formerly known as the Hedge Fund Standards Board (HFSB), the SBAI is an international standard-setting body for the alternative investment industry, acting as a custodian of the Alternative Investment Standards designed to provide a framework of transparency, integrity and good governance for the hedge fund industry.
<b>Alternative Investment Management Association (AIMA)</b>	A professional association standing for the alternative investment industry with more than 1,900 corporate members in 60 countries. The AIMA showcases leadership in industry initiatives such as advocacy, policy and regulatory management, educational programmes and sound practice guides. The association is also a co-founder of the Chartered Alternative Investment Analyst designation (CAIA).
<b>International Organisation of Securities Commissions (IOSCO)</b>	An association of organisations that is in charge of regulating almost 95% of the securities and futures markets in the world. Members include securities/futures market regulators such as a stock exchange or the Commodity Future Trading Commission (CFTC).
<b>CFA's Asset Manager Code of Professional Conduct</b>	<p>As stated by the CFA Institute, "by adopting the Code, asset management firms signal their commitment to commonly held ethical principles and allow plan sponsors and other investors to easily identify which asset managers uphold the principles that resolve conflicts of interest in favour of investors."</p> <p>For further guidance and information on other initiatives/codes, please refer to the SG module.</p>



## SECTION

## Governance

HF 03	Indicator status MANDATORY	Purpose DESCRIPTIVE	Principle GENERAL
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HF 03	INDICATOR
	Indicate whether and how your organisation has organised RI implementation and/or oversight responsibilities.
HF 03.1	<input type="checkbox"/> We have dedicated internal staff with RI oversight responsibility for Hedge Funds. Please specify (CEO, CIO, PM, etc.) <input type="checkbox"/> We have dedicated internal staff with RI implementation responsibility for Hedge Funds. Please specify (CEO, CIO, PM, etc.) <input type="checkbox"/> We use external consultants who have oversight and/or RI implementation responsibilities <input type="checkbox"/> Other, specify _____ <input type="radio"/> We do not have staff dedicated to RI oversight and implementation
HF 03.2	Additional information <a href="#">[OPTIONAL]</a>

HF 03	DEFINITIONS
<b>Oversight responsibility</b>	<p>We refer specifically to roles for which the management or governance responsibility is in place so that the organisation effectively implements its policies and reaches its objectives and targets in relation to responsible investment performance.</p> <p>The role holders are accountable for embedding ESG consideration in investment processes.</p>
<b>Implementation responsibility</b>	<p>This responsibility covers individuals in charge of implementing specific aspects of the organisation's responsible investment practices. The implementation responsibility applies not only to dedicated staff but also to any other roles in the organisation</p>
<b>External consultants</b>	<p>Here we refer to individuals/organisations who have been legally mandated to take any of the two categories of responsibilities above.</p> <p>These external consultants can be used as a substitute to or in conjunction with internal staff.</p> <p>For further guidance, please refer organisational-level notes in SG module (SG 07)</p>

HF 04	Indicator status <b>MANDATORY</b>	Purpose <b>DESCRIPTIVE</b>	Principle <b>GENERAL</b>
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<b>HF 04</b>	<b>INDICATOR</b>
<b>HF 04.1</b>	<p>Please indicate whether you implemented any RI training programmes regarding hedge fund investments for your staff during the reporting year.</p> <p> <input type="checkbox"/> Yes, we have a formal RI training/educational programme covering hedge funds  <input type="checkbox"/> Yes, we have a RI training programme to educate staff regarding our hedge fund policies  <input type="checkbox"/> Yes, we regularly train our staff on code of ethics/compliance manuals covering hedge fund investments  <input type="checkbox"/> Other, specify _____  <input type="radio"/> No, we don't have a RI training programme         </p>
<b>HF 04.2</b>	<p>If yes, please explain how the RI training programme is conducted?</p>

<b>HF 04</b>	<b>DEFINITIONS</b>
<b>Responsible Investment training program</b>	<p>Educating the organisation staff about Responsible Investment on a regular basis should be perceived as a key target in order to stay abreast with the development in the industry. The format of the training can be either formal or informal.</p> <p>Formal training stands for attendance to courses offered by universities or relevant certifications.</p> <p>Informal training relates to attendance at conferences or mentoring schemes.</p>
<b>Hedge Funds policies</b>	<p>A Hedge Fund policy is generally a written document outlining the purpose of the fund, the division of responsibilities (the composition of the Board, Investment Committee), the strategies followed, the asset allocation, the return objectives, the limitations in place and any other information relevant to the trustees such as potential conflict of interests or restrictions on any particular investments.</p> <p>A Hedge Fund policy is different from a Responsible Investment (RI) policy, the latter specifying how ESG considerations are incorporated in investment decisions.</p> <p>For further information about a RI policy, what it entails and how it should be designed, please refer to the module SG (indicator SG 01) and the PRI website here.</p>
<b>Code of Ethics/Compliance manuals</b>	<p>A bespoke guide of principles designed to help professionals to conduct business honestly and with integrity. It generally includes behavioural rules applicable to the organisation along with sanctions and penalties in case of violations.</p> <p>Because the financial industry involves increasingly tougher regulation, several leading organisations such as the CFA institute or the FCA in the UK developed their own code of ethics widely accepted and recognised as paragons in the industry.</p>

HF 05	Indicator status VOLUNTARY	Purpose DESCRIPTIVE	Principle 1
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HF 05	INDICATOR		
HF 05.1	In incorporating RI into Hedge Funds, what are the main consideration(s) influencing your organisation? Please select the options that apply to your organisation.		
	<input type="checkbox"/> To achieve a robust governance structure for our Hedge Fund investments <input type="checkbox"/> To attain relevant/existing ESG data <input type="checkbox"/> To clearly identify/manage the ESG opportunities associated with each strategy <input type="checkbox"/> To clearly identify each strategy and the associated financial risks <input type="checkbox"/> Other, specify <input type="radio"/> None of the above		
HF 05.2	Do the annual employee(s) performance reviews or remuneration metrics reflect any component of the KPI used for the incorporation of RI into Hedge Funds?		
	<input type="radio"/> Yes		<input type="radio"/> No
	If yes, please select and describe the KPIs that are used in your organisation (at least one KPI should be linked to variable pay).		
	KPI	Variable pay linked	Explanation
	<input type="checkbox"/> Risk management	<input type="radio"/> Yes <input type="radio"/> No	
	<input type="checkbox"/> Financial performance	<input type="radio"/> Yes <input type="radio"/> No	
	<input type="checkbox"/> Other (specify)	<input type="radio"/> Yes <input type="radio"/> No	
HF 05.3	If you responded "No" in HF 05.2, please explain the reasons.		

HF 05	EXPLANATORY NOTES
HF 05	<p><b>RI considerations</b></p> <p>This indicator asks specifically about the most essential reasons your organisation follows to implement responsible investment into hedge funds, set up KPIs and link these KPI to any variable pay.</p> <p>Example of such reasons could be:</p> <p><b>Establishing a strong governance structure:</b> identifying key managers, roles, etc.</p> <p><b>Identify strategies and manage ESG opportunities:</b> each strategy is different in terms of risks/returns and ESG opportunities. Being able to identify the strategies followed could provide a clearer direction towards specific ESG opportunities.</p> <p><b>Attain relevant data:</b> using existing ESG data could be perceived as a strong incentive to integrate RI into Hedge Funds and to foster competition on the market.</p>

	<p><b>KPI and variable pay</b></p> <p>The sub-indicator HF 05.2 is designed to assess whether your organisation incentivises the staff in charge to reach specific responsible investment KPI through a variable pay scheme (bonus, share-option schemes, etc.).</p> <p><b>Risk management</b></p> <p>Risk management is the process resulting from an investment decision and follows different steps: identification of the risks, analysis, and acceptance or mitigation of these risks.</p> <p>Assessing these risks generally involves defining or following key statistical metrics such as the Tracking-error (hedge funds or ETF) or the Value at Risk to name few but not necessarily. Recent developments in behavioural finance show that investors tend to grant higher attention to metrics other than numerical such as a herd behaviour or anchoring (investing in a specific product perceive to be better).</p> <p>Within the framework of this indicator and the module overall, the PRI do not promote any specific approach of risk management but rather the signatory should be able to identify and report on these risks.</p> <p><b>Financial performance</b></p> <p>Financial performance, also known as financial return, is the amount lost (negative return) or realised (positive return) on an investment.</p> <p>The simplest measure of the financial performance of an investment is the variation rate (expressed in percentages) across 2 periods.</p> <p>Other measures of this kind include ratios such as the Return on Equity (ROE), Return on Assets (ROA) or the Price-Earnings ratio (P/E ratio).</p> <p>Financial performance can also be expressed in nominal value, in such case it merely reflects all changes in value that occurred over a stated period of time.</p> <p>The NAV (net asset value) of the fund used as a measure of the fund's performance.</p>
<b>LOGIC</b>	
<b>HF 05</b>	Sub-indicator HF 05.2 will be applicable if "Yes" is selected.

## SECTION

## Investment process

HF 06	Indicator status MANDATORY	Purpose DESCRIPTIVE	Principle GENERAL
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HF 06	INDICATOR		
HF 06.1	Please describe the ESG resources and tools used in your investment decision-making process.		
	Category of ESG		Reason for use
	<input type="checkbox"/> ESG data (proprietary, 3 <sup>rd</sup> party, etc.)		
	<input type="checkbox"/> ESG research (broker, etc.)		
	<input type="checkbox"/> Consultants		
	<input type="checkbox"/> Other resources/tools/practices		
HF 06.2	Select and explain how these resources are incorporated into the investment and risk management process?		
	Category of ESG	Investment/risk management process	Additional text [OPTIONAL]
	ESG data (proprietary, 3 <sup>rd</sup> party, etc.)	<input type="checkbox"/> Investment origination <input type="checkbox"/> Investment analysis <input type="checkbox"/> Portfolio construction <input type="checkbox"/> Trade management <input type="checkbox"/> Risk management	
	ESG research (broker, etc.)	Same as above	
	Consultants	Same as above	
	Other resources/tools/practices	Same as above	

HF 06	EXPLANATORY NOTES
HF 06.1	<p><b>ESG resources</b></p> <p>Identifying and relying on key ESG resources is perceived as an important step in any pre-investment process.</p> <p>We identified here 4 broad categories of ESG resources that could be used as an essential source of information to incorporate responsible investment into Hedge Funds.</p>

<b>HF 06.2</b>	<p><b>How the resources are used</b></p> <p>ESG resources can be used at different levels of the investment process: origination, analysis, portfolio construction, trade management or monitoring risks.</p> <p>Any hedge fund manager should be able to identify one or several steps of the investment process in which ESG factors have been incorporated.</p>
<b>LOGIC</b>	
HF 06.2	The selection options within HF 06.2 are applicable only if they have been selected in HF 06.1.

HF 07	Indicator status <b>MANDATORY</b>	Purpose <b>DESCRIPTIVE</b>	Principle 1,2
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HF 07	INDICATOR		
HF 07.1	If your organisation uses <b>quantitative analysis</b> , please indicate at which level ESG is incorporated into this analysis.		
	Quantitative modelling	ESG incorporation	Outcomes and assessment/review
	<input type="checkbox"/> Multi-factors models <input type="checkbox"/> Fractal Market Hypothesis (FMH) modelling <input type="checkbox"/> Models Yield <input type="checkbox"/> Technical analysis (Fibonacci retracements, Bollinger bands, etc.) <input type="checkbox"/> Univariate models (Box-Jenkins) <input type="checkbox"/> Monte-Carlo simulations <input type="checkbox"/> Multiple regression analysis <input type="checkbox"/> Correlation analysis <input type="checkbox"/> Other, specify _____	<input type="checkbox"/> Pre-defined ESG parameters are added to our quantitative models. <input type="checkbox"/> We conduct scenario analysis to define ESG parameters separately. <input type="checkbox"/> Variance/Value at Risk analysis with embedded ESG risks. <input type="checkbox"/> Other, specify _____	
	<input type="radio"/> <b>We don't use quantitative analysis</b>		
HF 07.2	If your organisation uses <b>fundamental analysis</b> , please indicate at which level ESG is incorporated into this analysis.		
	Fundamental approach	ESG incorporation	Outcomes and assessment/review
	<input type="checkbox"/> Top-down <input type="checkbox"/> Bottom-up	<input type="checkbox"/> At a micro level – ESG factors are integrated into financial models (DCF, multiples, etc.) <input type="checkbox"/> Financial ratios with embedded ESG factors. <input type="checkbox"/> At a macro level – ESG factors are embedded with economic indicators (GDP, inflation, etc.) <input type="checkbox"/> Other, specify ()	
	<input type="radio"/> <b>We don't use fundamental analysis</b>		
HF 07.3	Additional information [OPTIONAL]		

HF 07	EXPLANATORY NOTES
HF 07.1	<p><b>Quantitative analysis</b></p> <p>Different quantitative approaches can be used alone or in conjunction to incorporate ESG factors. A non-restricted list of such approaches is disclosed below..</p> <p><b>Multi factor models</b></p> <p>A financial model using multiple factors to explain prices of a security/portfolio of securities. Well-known models include the CAPM and the Fama-French Three Factor Model.</p> <p><b>Fractal Market Hypothesis (FMH)</b></p> <p>FMH-based models explain market prices using the concept of fractals. Prices are viewed as geometric shapes broken down in smaller parts replicating the shape on the whole. Investors using fractal models generally admit that prices are <b>not log-normally</b> distributed as in other models such as the multi-factor ones.</p> <p><b>Model yields</b></p> <p>These models are used to determine the yield of a specific security (such as fixed-income or stocks) or a fund. The yield of an investment is positively correlated to the level of its risk but negatively correlated to the price: the higher the risk, the higher the yield and the lower the price.</p> <p><b>Technical analysis</b></p> <p>Originally developed and used by traders, this category of analysis evaluates investments by analysing statistical trends such as price movements or volumes. Prices are assumed not to be randomly distributed and follow indeed specific patterns. A discipline on itself, technical analysis involves many statistical tools such as Bollinger Bands, Fibonacci retracements, Elliott Waves, etc.</p> <p><b>Monte-Carlo simulations</b></p> <p>A probability simulation that project possible prices trajectories by evaluating the associated risks for a given investment. Contrary to other quantitative closed-form solution models (such as those derived from the Black &amp; Scholes model), Monte-Carlo simulations provide a range of possible trajectories.</p> <p><b>Univariate models</b></p> <p>These models are generally used to forecast data such as prices from a specified time series, they involve generally 1 variable. The Box-Jenkins model is one of the most well-known forecasting model using autoregression, moving averages and seasonal differencing.</p> <p><b>Value at Risk (VaR)</b></p> <p>A statistic measure of the level of financial risk within a firm, portfolio or a position. It determines the potential losses, the probability of occurrence for the amount of loss and a specific time frame.</p>
HF 07.2	<p><b>Fundamental analysis</b></p> <p>Fundamental analysis is an investment approach of evaluating a security in order to assess its intrinsic value by taking into account quantitative and qualitative factors. This approach is divided into two main and <u>opposite</u> approaches, bottom-up and top-down.</p> <p><b>Bottom-up</b></p> <p>This investment approach focusses on the analysis of individual securities (and to such extent on underlying companies) with lesser importance granted to macroeconomic factors.</p> <p><b>Top-down</b></p> <p>In this approach, the investor prioritises macroeconomic factors over the microeconomic ones.</p>



HF 08	Indicator status MANDATORY	Purpose DESCRIPTIVE	Principle 1,6
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HF 08	INDICATOR	
HF 08.1	Please indicate whether there have been any changes to your RI incorporation process over the past 12 months (e.g., additional resources, information sources)?	
	<input type="radio"/> Yes	<input type="radio"/> No
HF 08.2	If yes, please describe them.	
HF 08.3	If not, please explain why.	

HF 08	EXPLANATORY NOTES
HF 08	<p><b>RI incorporation process</b></p> <p>This indicator measures your progress or changes in the incorporation of ESG factors in your investment process according to the different RI methodologies.</p> <p>Specifically, you can report whether some initial RI decisions have been changed or not and what these changes entail.</p> <p>A couple of typical examples are listed below:</p> <p>You may developed a RI policy but you haven't adopted or implemented</p> <p>You have developed a new product under ESG considerations</p> <p>You might have relied on a specific ESG data provider and decided in the course of the year to change for another one.</p> <p>Your organisation decided to modify how ESG risks are assessed and monitored: for example, setting up new KPI or integrating new constraints.</p> <p>Your investment decisions overall gradually incorporated new approaches: for instance, your organisation might have regularly followed a fundamental approach and decided to supplement/integrate quantitative analysis.</p>
<b>LOGIC</b>	
HF 08	[HF 08.2] and [HF 08.3] are applicable depending on the selection in [HF 08.1].

HF 09	Indicator status <b>MANDATORY</b>	Purpose <b>DESCRIPTIVE</b>	Principle <b>1,2</b>
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HF 09	INDICATOR	
HF 09	Please select and explain how active ownership practices are integrated into investment decisions.	
	Active ownership practice	Rationale for integrating into investment decisions
	<input type="checkbox"/> (Proxy) Voting	
	<input type="checkbox"/> Engagement	
	<input type="checkbox"/> Shareholder resolutions	
	<input type="radio"/> None of the above	
	<input type="radio"/> <b>Not applicable (N/A)</b>	

HF 09	EXPLANATORY NOTES
HF 09	<p><b>Active Ownership practices</b></p> <p>Active ownership is a post investment methodology; and it's a function of the holding period of the security.</p> <p>Asset owners or fiduciaries use their shareholder rights (or other legal or contractual rights) to influence companies (or other invested entities) to improve the ESG-risk management of companies or stimulate more sustainable business practises, products and services. Shareholder rights include voting rights, individual or collaborative engagement and (if necessary) litigation. ESG-issues can be incorporated in voting policies and voting decisions. Engagement can be done individually and /or collaboratively to try to influence companies (and other invest entities) to improve their ESG-performance or sustainability.</p> <p>For some hedge funds strategies, active ownership is not applicable as a result of the holding period of the security.</p> <p>Please refer to the <a href="#">PRI – HF Responsible Investment Guide</a> available in January 2019.</p>

HF 10	Indicator status MANDATORY	Purpose DESCRIPTIVE	Principle 1,2
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HF 10	INDICATOR					
HF 10.1	Please provide examples of ESG risks and opportunities being incorporated into your investment decisions over the past 12 months.					
	Hedge Fund strategy	ESG factors	ESG risks / opportunities	Financial risks	Scope and process	Outcomes
	<i>[drop down -several selections]</i> <input type="checkbox"/> Global macro <input type="checkbox"/> Equity hedge <input type="checkbox"/> Event driven <input type="checkbox"/> Relative value <input type="checkbox"/> Risk parity <input type="checkbox"/> Blockchain <input type="checkbox"/> Fund of Hedge Funds	<i>[drop down – 1 selection per example]</i>  <input type="checkbox"/> Environmental <input type="checkbox"/> Social <input type="checkbox"/> Governance				
	[same as above]	[same as above]				
	[same as above]	[same as above]				
	[same as above]	[same as above]				
	[same as above]	[same as above]				
<input type="radio"/> <b>We are not able to provide examples</b>						

HF 10.2	Based on your example(s) provided above, please specify whether the incorporation of ESG factors affected the risk-adjusted returns of your Hedge Funds.
	<p><input type="radio"/> The incorporation of ESG risks <u>positively</u> affected the risk-adjusted returns of our Hedge Funds</p> <p><input type="radio"/> The incorporation of ESG risks <u>negatively</u> affected the risk-adjusted returns of our Hedge Funds</p> <p><input type="radio"/> The incorporation of ESG risks had an overall neutral effect on the risk adjusted returns of the hedge funds</p> <p><input type="radio"/> No impact or <b>we do not track this information.</b></p>

HF 10	EXPLANATORY NOTES
HF 10.1	<p><b>Identification of ESG risks and opportunities</b></p> <p>In this sub-indicator, you can report for one 1 or several strategies which E, S or G factor you identified, what were the ESG risks and/or opportunities and the outcomes of your investment decisions.</p> <p>A valid example would have for a given E,S or G factor all columns filled.</p> <p><b>Financial risks</b></p> <p>The risks associated with any investment in a company or security associated to the company. Key risks would include credit risk, liquidity risk, currency risk, equity risks.</p> <p><b>Scope and process</b></p> <p>This section would provide room for the following questions:</p> <p><i>What is the chosen investment approach (fundamental, quantitative, etc.) of the managers?</i></p> <p><i>How the risks are monitored and/or mitigated?</i></p> <p><b>Outcomes</b></p> <p>This section would for instance address the following concerns:</p> <p><i>What were the results of the investment process, any opportunity or hindrances encountered?</i></p> <p><i>How these have been addressed? Have they been communicated to key stakeholders?</i></p>
HF 10.2	<p><b>Risk-adjusted return</b></p> <p>A measure determining an investment's return by assessing the level of risk involved in producing that level of return.</p> <p>Most common measures used in the industry are: <b>Alpha, Beta, Standard deviation, Treynor ratio.</b></p> <p><b>Neutral impact (or risk neutral)</b></p> <p>Risk neutral defines an investor approach indifferent to the level of potential risk generated by an investment. In such configuration, the risks can be higher than expected but eventually ignored to focus on the potential additional gains.</p> <p>This definition <u>excludes</u> de facto a "no impact" situation in which ESG risks have not affected the risk-adjusted returns of the funds.</p> <p><b>"No impact or we do not track this information"</b></p> <p>Your organisation can select this choice to indicate one of the following 3 situations:</p> <p>This information is <u>not monitored</u>,</p> <p>This information is known but for particular reason your organisation <u>refuses to reveal it</u>, or</p> <p>This information is known but <u>there isn't any impact</u>.</p>

HF 11	Indicator status MANDATORY	Purpose DESCRIPTIVE	Principle GENERAL
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HF 11	INDICATOR	
HF 11.1	Do you use derivatives instruments as part of your Hedge Fund strategies and/or Funds of Hedge Funds?	
	<input type="radio"/> Yes	<input type="radio"/> No
HF 11.2	Please select all the applicable categories of derivatives used.	
	Listed/OTC	Category of derivatives
	<input type="radio"/> Listed derivatives	<input type="checkbox"/> Futures <input type="checkbox"/> Options (Equity, Index, ETF, FX, IR, etc.) <input type="checkbox"/> Other (please specify) <input type="radio"/> None of the above
	<input type="radio"/> OTC derivatives	<input type="checkbox"/> Swaps <input type="checkbox"/> FRA <input type="checkbox"/> Exotic derivatives <input type="checkbox"/> CDS <input type="checkbox"/> Other (please specify) <input type="radio"/> None of the above
HF 11.3	Please explain whether and how these derivatives impacted the risk-adjusted returns of your Hedge Fund investments?	
	Impact	Outcomes
	<input type="radio"/> Positive impact	
	<input type="radio"/> Negative impact	
	<input type="radio"/> Neutral impact	
	<input type="radio"/> No impact or we do not track this information	
HF 11.4	Please indicate whether the use of derivatives triggered ESG risks/opportunities at the fund level?	
	<input type="radio"/> Yes	<input type="radio"/> No, or <b>undetermined</b>
HF 11.5	Additional information <a href="#">[OPTIONAL]</a>	

HF 11	DEFINITIONS
<b>Derivatives</b>	A financial security between two or more parties and whose the value derives from an underlying asset or basket of assets.
<b>Listed derivatives</b>	<p>Also known as exchange traded derivatives, these financial instruments are traded on regulated derivatives exchanges or other exchanges such as CME or Eurex.</p> <p>Most common derivatives products traded on these markets are <b>futures</b> and <b>listed options</b>.</p> <p><b>Futures</b></p> <p>A financial contract obliging the investor to buy or sell an asset on a future date at a specified price.</p> <p><b>Options</b></p> <p>A financial contract giving the investor the right <u>but not the obligation</u> to buy (a call option) or sell (a put option) an asset.</p>
<b>Over-the-Counter (OTC) derivatives</b>	<p>These financial instruments are directly and privately traded between two parties without going to an exchange.</p> <p>Most common OTC derivatives contracts are <b>swaps</b>, <b>Forward Rate Agreements (FRA)</b> and <b>exotic derivatives</b>.</p> <p><b>Swap</b></p> <p>A financial contract to exchange cash on/before a specified future date based on the underlying value of exchange rates, interest rates, equity or other assets.</p> <p><b>Forward Rate Agreements (FRA)</b></p> <p>Similar to futures contract, a forward is a bespoke financial contract between two parties engaged in buying or selling an asset on a future date at a specified price.</p> <p><b>Exotic derivatives</b></p> <p>Contrary to traditional derivatives, these financial products involve much more complexity in calculating the payoff and the price. Typical instruments of this kind would encompass swaptions, exotic options and other specific contracts such as weather derivatives.</p>
<b>Neutral impact</b>	<p>Also defined as “risk neutral”, this is an investor approach indifferent to the level of potential risk generated by an investment. In such configuration, the risks can be higher than expected but eventually ignored to focus on the potential additional gains.</p> <p>This definition <u>excludes</u> de facto a “no impact” situation in which ESG risks have not affected the risk-adjusted returns of the funds.</p>
<b>No impact or we do not track this information</b>	<p>Your organisation can select this choice to indicate the following 3 situations:</p> <p>This information is <u>not monitored</u>,</p> <p>This information is known but for particular reason your organisation <u>cannot reveal it</u>, or</p> <p>This information is known but there <u>the impact is null</u>.</p>

<b>Derivatives and ESG risk/opportunities</b>	<p>Your organisation is provided with the opportunity to report whether derivatives instruments triggered ESG risks and/or ESG opportunities.</p> <p>In other words, would your organisation track the ESG impact of derivatives at the fund level and is able to identify and measure that impact.</p>
<b>No/undetermined</b>	<p>Please select this choice if your organisation:</p> <p>Does not track this information, or</p> <p>Is unable to determine this information</p>
<b>LOGIC</b>	
<b>HF 11</b>	<p>Sub-indicators HF 11.2, 11.3, 11.4 and 11.5 will be available if “<b>yes</b>” is selected in HF 11.1.</p>

## SECTION

## Monitoring and reporting

HF 12	Indicator status MANDATORY	Purpose DESCRIPTIVE	Principle 1,2
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HF 12	INDICATOR		
HF 12.1	Please indicate whether you report separately on your funds' long/short/net exposures?		
	<input type="radio"/> Yes	<input type="radio"/> No or <b>Not applicable</b> , please explain _____	
HF 12.2	Please explain your reporting process.		
	Exposure	ESG data/reporting process	KPI and assessment
	<input type="checkbox"/> Long exposure		
	<input type="checkbox"/> Short exposure		
	<input type="checkbox"/> Net exposure		
HF 12.3	Additional information [OPTIONAL]		

HF 12	EXPLANATORY NOTES
HF 12.2	For each category of exposures, your organisation is invited to indicate how the reporting process is conducted, which KPI is set or used and how this approach is assessed overall.
LOGIC	
HF 12	HF 12.2 and HF 12.3 will <b>not be applicable</b> if L/S is not used as a strategy, OR if the reporting cannot be differentiated in terms of exposures.

HF 12	DEFINITIONS
Net exposure	<p>A measure expressed in percentage of the difference between long and short exposures. At the fund level, three situations can be identified:</p> <p>Long exposures exceed short exposure: <b>net long</b> exposure.</p> <p>Short exposures exceed long exposures: <b>net short</b> exposure.</p> <p>Long and short exposures are equals: <b>market neutral</b> (net exposure is 0).</p>
Not applicable	Please select this choice if Long or Short exposures are not used in your strategies or you are not conducting any differentiation between the two exposures.



HF 13	Indicator status <b>MANDATORY</b>	Purpose <b>DESCRIPTIVE</b>	Principle 1,2
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HF 13	INDICATOR				
HF 13.1	Please describe what metrics/initiatives (internal and/or external) your organisation uses to measure its progress in incorporating RI into the investment process.				
	Hedge Fund strategy	Metrics/Initiatives	Internal/ext ernal	Metrics/ Initiatives definition	Assessment/ outcomes
	<i>[drop down - one selection]</i>  <input type="checkbox"/> Global macro <input type="checkbox"/> Equity hedge <input type="checkbox"/> Event driven <input type="checkbox"/> Relative value <input type="checkbox"/> Fund of Hedge Funds <input type="checkbox"/> Risk parity <input type="checkbox"/> Blockchain	<i>[drop down - several selections]</i>  <b>Metrics</b> <input type="checkbox"/> RI policy implementation <input type="checkbox"/> RI Recommendation changes <input type="checkbox"/> ESG Alpha <input type="checkbox"/> ESG Beta <input type="checkbox"/> GHG emissions  <b>Initiatives</b> <input type="checkbox"/> Transparency <input type="checkbox"/> Integration of ESG data <input type="checkbox"/> Education <input type="checkbox"/> Other (specify)	<i>[drop down]</i>  <input type="radio"/> Internal <input type="radio"/> External		
	[same as above]	[same as above]	[same as above]		
	[same as above]	[same as above]	[same as above]		
	[same as above]	[same as above]	[same as above]		
	[same as above]	[same as above]	[same as above]		
<input type="radio"/> We are not able to provide examples.					
HF 13.2	Additional information <a href="#">[OPTIONAL]</a>				

HF 13	DEFINITIONS
<b>ESG Alpha</b>	This metric refers to excess return of an investment relative to the return of a benchmark index when ESG factors are incorporated into the investment process as a source of return
<b>ESG Beta</b>	This metric refers to the volatility of an asset or portfolio in relation to the overall market when ESG factors are incorporated into the investment process as a source of risk.

HF 14	Indicator status VOLUNTARY	Purpose DESCRIPTIVE	Principle GENERAL
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HF 14	INDICATOR			
HF 14.1	Does your organisation assess its funds' exposure to climate-related risks, and does it measure and monitor the carbon footprint of its investment portfolio?			
	<input type="radio"/> Yes		<input type="radio"/> No	
HF 14.2	If yes, explain the methodology used and the assessment process.			
	Hedge Fund strategy	KPI	Methodology	Assessment
	<i>[drop down -one selection]</i>	<i>[drop down - several selections]</i>		
	<input type="checkbox"/> Global macro <input type="checkbox"/> Equity hedge <input type="checkbox"/> Event driven <input type="checkbox"/> Relative value <input type="checkbox"/> Funds of Hedge Funds <input type="checkbox"/> Risk parity <input type="checkbox"/> Blockchain	<input type="checkbox"/> Climate-related targets <input type="checkbox"/> Weighted average carbon intensity <input type="checkbox"/> Carbon footprint (scope 1 and 2) <input type="checkbox"/> Portfolio carbon footprint <input type="checkbox"/> Total carbon emissions <input type="checkbox"/> Carbon intensity <input type="checkbox"/> Exposure to carbon-related assets <input type="checkbox"/> Other emissions metrics		
	[same as above]	[same as above]		
	[same as above]	[same as above]		
	[same as above]	[same as above]		
HF 14.3	If your answer is "No" in HF 14.1, please explain why.			

HF 14	EXPLANATORY NOTES
HF 14.1	<p><b>Climate risks</b></p> <p>Here we refer to all risks resulting from the climate change and affect natural and human systems.</p> <p>Climate change presents both risks and opportunities. This indicator covers how climate change impacts your investment decision making, active ownership practices and if relevant, engagement with fund managers, as well as engagement with governments to encourage a climate-supportive policy environment for investors.</p>
HF 14.2	<p>Your organisation is invited to report whether climate-related risks, when applicable, are taken into account in the hedge fund strategy followed.</p> <p>For each applicable strategy, please identify whether you incorporated one or several KPIs as listed, the methodology followed and the assessment in place.</p> <p>A valid example would include all of the elements above.</p> <p>Activities to measure and reduce your organisation's own carbon footprint should not be captured here, unless they are undertaken for buildings that you occupy and report on as part of a directly managed property portfolio.</p> <p><b>Weighted Average Carbon Intensity</b></p> <p>Portfolio's exposure to carbon-intensive companies, expressed in tons CO<sub>2</sub>e / \$M revenue. <i>Metric recommended by the FSB Task Force.</i></p> <p><b>Carbon Intensity</b></p> <p>Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO<sub>2</sub>e / \$M revenue.</p> <p><b>Total Carbon Emissions</b></p> <p>The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO<sub>2</sub>e.</p> <p><b>Carbon Footprint</b></p> <p>Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO<sub>2</sub>e / \$M invested.</p> <p>Further information and guidance on this topic are available in the SG module (SG 14) and the Climate Change reporting.</p>
LOGIC	
HF 14	If "No" is selected in HF 14.1, HF 14.2 is not applicable.

HF 15	Indicator status MANDATORY	Purpose DESCRIPTIVE	Principle 2, 6
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HF 15	INDICATOR				
HF 15.1	How often and in what format (e.g., meetings, written reports) does your organisation report to its investors on ESG risk assessments? Please provide reporting examples.				
	Frequency of reporting	Format	ESG activities	Portfolio ESG risk assessment	Outcomes
	<i>[drop down - one selection]</i>	<i>[drop down - several selections]</i>	<i>[drop down - several selections]</i>	<i>[drop down - several selections]</i>	
	<input type="radio"/> Annually <input type="radio"/> More frequently than annually <input type="radio"/> Other	<input type="checkbox"/> Minutes of meetings <input type="checkbox"/> Written reports <input type="checkbox"/> Side letters/emails <input type="checkbox"/> Other (specify)	<input type="checkbox"/> Environmental <input type="checkbox"/> Social <input type="checkbox"/> Governance	<input type="checkbox"/> Fund governance <input type="checkbox"/> Linear constraints <input type="checkbox"/> Quadratic constraints <input type="checkbox"/> Other (specify)	
	[same as above]	[same as above]	[same as above]	[same as above]	
	[same as above]	[same as above]	[same as above]	[same as above]	
	[same as above]	[same as above]	[same as above]	[same as above]	
	[same as above]	[same as above]	[same as above]	[same as above]	
<input type="radio"/> We are not able to provide examples.					
HF 15.2	Additional information <a href="#">[OPTIONAL]</a>				

HF 15	EXPLANATORY NOTES
HF 15.1	<p>A sound reporting on ESG risks assessments to investors is not only considered good practice but also demonstrates a resilient governance.</p> <p>A valid reporting example would include at least one element for each column in a given row.</p> <p><b>Linear constraints</b></p> <p>Assessing the level of ESG risks might be evaluated through a linear optimization: the objective function (e.g. minimising the level of ESG risk) is subject to constraint functions that are <b>linear</b>.</p> <p><b>Quadratic constraints</b></p> <p>Assessing the level of ESG risks could involve quadratic optimization: the objective function (e.g. minimising the level of risk) is subject to constraint functions that are <b>quadratic</b>.</p> <p>For further information, please refer to the <u><b>PRI – HF Responsible Investment Guide that will be available in January 2019.</b></u></p>
LOGIC	
HF 15	<p>HF 15.2 is applicable irrespective of whether your organisation provides examples in HF 15.1 or not.</p>