ETHENEA

Statement

of ETHENEA Independent Investors S.A. on adverse sustainability impacts

Principal Adverse Impacts, PAI-Statement
As of: June 2025

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: ETHENEA Independent Investors S.A. (529900E235XZSGWI7P27)

Summary

ETHENEA Independent Investors S.A. (529900E235XZSGWI7P27) takes into account the most significant adverse impacts of its investment decisions on sustainability factors. This statement is the consolidated statement on the most significant adverse impacts on the sustainability factors of ETHENEA Independent Investors S.A.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2024 (referred to as "year 2024" in the following tables).

Adverse sustainability impacts are those effects of investment decisions that have a negative impact on sustainability factors. Sustainability factors include, among others, environmental and social concerns, respect for human rights, sustainable corporate governance, and the fight against corruption. In order to make the most important adverse sustainability impacts measurable, indicators from the areas of environment, social affairs and proper governance are used.

The most important sustainability factors include environmental, climate, social and employee concerns, as well as aspects of good corporate governance, respect for human rights and the fight against corruption.

Investments may have adverse effects on these factors, for example through the co-financing of controversial business practices and controversial business areas. Controversial business practices include violations of the standards of the International Labour Organisation (ILO), including child labour and forced labour, as well as serious violations in the areas of human rights, environmental protection and corruption.

Controversial business areas include the production of weapons such as anti-personnel mines ("Ottawa Convention"), cluster munitions ("Oslo Convention") as well as biological and chemical weapons according to the respective UN conventions ("Biological Weapons Convention" (BWC) and "Chemical Weapons Convention" (CWC)). Furthermore, companies with a designated business strategy on armaments (production, development and distribution) are considered a controversial business area. In addition to the general controversial business areas, our portfolio management team may define additional criteria and controversial business areas that will be excluded. These currently include companies that focus on the production and/or distribution of fossil fuels (e.g. coal) and tobacco production.

To reduce the negative impact of investment decisions on sustainability factors, ETHENEA takes three main measures.

1. **ESG integration:**

   By systematically integrating ESG criteria into the investment process, ETHENEA aims to ensure that sustainability aspects and thus also adverse sustainability impacts are fundamentally considered in all investment decisions.

2. **Exclusion criteria:** Direct investments in companies that are active in controversial business areas are excluded across the entire company. These exclusions are supplemented by standard-based exclusions, e.g. if serious violations of the principles of the UN Global Compact are identified and there is no positive outlook. The same applies at the sovereign bond level, where investments in sovereign bonds of unfree countries are excluded (based on analyses by Freedom House; www.freedomhouse.org).

3. **Engagement:**
   ETHENEA understands engagement to mean active dialogue with the companies in its portfolios and the exercise of voting rights at annual general meetings. The aim of engagement activities is to actively influence the ESG profile of the companies over the investment period and thus reduce negative impacts on sustainability factors.

Comparability between 2023 and 2024 is complicated by the consolidation of additional funds under the umbrella of ETHENEA Independent Investors S.A. during the course of 2024. As a result, assets under management rose from EUR 2.42 billion to EUR 4.15 billion.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator		**Metric**	**Impact [year 2024]**	**Impact [prior year]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	112.823,09	101.289,81	N/A	In our funds, the responsible portfolio managers are required to take into account the greenhouse gas emissions of the companies in which they invest, within the limits of data quality and availability, in line with ESG integration. ETHENEA excludes companies that generate more than 25% of their revenue from the production and/or distribution of coal or coal-fired power generation. Coal-fired power plants are undoubtedly major climate polluters. For example, according to the German Federal Environment Agency, around half of all CO_2 emissions in Germany are caused by the energy industry – most of this comes from burning coal. On the other hand, coal-fired power generation is also part of energy security. With the above-mentioned limit, ETHENEA therefore still allows investment in companies that are active in coal-fired power generation but are moving towards renewable energies. In addition, it is the responsibility of the responsible portfolio managers to take further measures to improve the situation in individual companies if necessary, to define appropriate targets or to sell existing investments if there is little prospect of improvement.
		Scope 2 GHG emissions	26.272,52	9.764,32	s. page 17	
		Scope 3 GHG emissions	1.083.531,21	3.886.767,19	s. page 17	
		Total GHG emissions	1.222.626,81	3.997.821,33	s. page 17	
	2. Carbon footprint	Carbon footprint	294,27	1.652,62	s. page 18	
	3. GHG intensity of investee companies	GHG intensity of investee companies	499,41	1.146,92	s. page 18	
	4. Exposure to companies active in the fossil fuel sector	Anteil der Investitionen in Unternehmen, die im Bereich der fossilen Brennstoffe tätig sind	4,85	2,75	N/A	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	57,9 (Consumption) 25,92 (Production)	55,97 (Consumption) 32,68 (Production)	N/A	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector:				

						You can read why the emission indicators, some of which appear very high at first glance, are misleading in the accompanying explanations in the 'Historical comparison' section on page 16.
		• Agriculture, Forestry & Fishing	N/A	N/A	N/A	
		• Mining & Quarrying	1,05	1,37	N/A	
		• Manufacturing	0,23	0,14	N/A	
		• Electricity, Gas, Steam & Air Conditioning Supply-	5,89	4,69	N/A	
		• Construction	0,11	0,08	N/A	
		• Real Estate Activities	0,50	0,35	N/A	
		• Transportation & Storage-	1,24	0,81	N/A	
		• Water Supply, Sewerage, Waste Management & Remediation Activities	1,64	0,00	N/A	
		• Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles	0,06	0,06	N/A	
Biodiversi-ty	7. Activities negatively affecting biodiversity-sensitive areas	Proportion of investments in companies with locations/operations in or near areas with vulnerable biodiversity, where the activities of these companies have a negative impact on these areas.	4,19	3,29	N/A	In our funds, the responsible portfolio managers are required to take into account any potential negative impacts on biodiversity by the companies in which investments are made, within the limits of data quality and availability, in line with ESG integration. No strict exclusion criteria have been defined for this indicator to date. It is the responsibility of the portfolio managers to take further measures to improve the situation in individual companies if necessary, to define appropriate targets or to sell existing investments if there is little prospect of improvement.

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0,37	0,00	N/A	In our funds, the responsible portfolio managers are required to take into account the water emissions caused by the companies in which they invest, within the limits of data quality and availability, in line with ESG integration. No hard exclusion criteria have been set for this indicator as yet. It is the responsibility of the portfolio managers to take further measures to improve the situation in individual companies, define appropriate targets or sell existing investments if there is little prospect of improvement.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	31,2	0,39	s. page 17	In our funds, the responsible portfolio managers are required, in line with ESG integration, to take into account the proportion of hazardous and radioactive waste generated by the companies in which investments are made, subject to data quality and availability. No hard exclusion criteria have been defined for this indicator to date. It is the responsibility of the responsible portfolio managers to take further measures to improve the situation in individual companies, define appropriate targets or sell existing investments if there is little prospect of improvement.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS ANTI-BRIBERY MATTERS						
Social and employee matters	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	0,00	0,00	N/A	In our funds, the responsible portfolio managers are required, in line with ESG integration, to take into account violations of the UNGC principles and the Organisation for Economic Co-operation and Development (OECD) guidelines for multinational enterprises in the companies in which investments are made, within the limits of data quality and availability. ETHENEA excludes investments in companies if serious violations of the principles of the UN Global Compact have been identified and there is no convincing prospect of remedying the abuses. In addition, it is the responsibility of the responsible portfolio managers to take further measures to improve the situation in individual companies, define appropriate targets or sell existing investments if there is no prospect of improvement.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	37,15	25,85	N/A	In our funds, the responsible portfolio managers are required, in line with ESG integration, to take into account the absence of processes and compliance mechanisms for monitoring compliance with the UNGC principles and the OECD Guidelines for Multinational Enterprises in the companies in which investments are made, within the limits of data quality and availability.

						No strict exclusion criteria have been defined for this indicator to date. It is the responsibility of the portfolio managers to take further measures to improve the situation in individual companies if necessary, to define appropriate targets or to sell existing investments if there is little prospect of improvement.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	21,37	18,35	N/A	In our funds, the responsible portfolio managers are required, in line with ESG integration, to take into account the unadjusted gender pay gap in the companies in which investments are made, subject to data quality and availability. No hard exclusion criteria have been set for this indicator to date. It is the responsibility of the portfolio managers to take further measures to improve the situation in individual companies if necessary, to define appropriate targets or to sell existing investments if there is little prospect of improvement.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	34,7	35,80	N/A	In our funds, the responsible portfolio managers are required, in line with ESG integration, to take gender diversity in the management and supervisory bodies of the companies in which investments are made into account, subject to data quality and availability. No hard exclusion criteria have been set for this indicator to date.

						It is the responsibility of the portfolio managers to take further measures to improve the situation in individual companies if necessary, to define appropriate targets or to sell existing investments if there is little prospect of improvement.
	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	0,00	0,00	N/A	In our funds, the responsible portfolio managers are required, in line with ESG integration, to take into account exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons) in the companies in which they invest, subject to data quality and availability. ETHENEA excludes investments in companies or products issued by companies that violate the UN conventions on cluster munitions, chemical weapons and other outlawed weapons of mass destruction or finance such companies/products.

Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [prior year]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Environ-mental	15. GHG intensity	GHG intensity of investee countries	0,23	0,20	N/A	In our funds, the responsible portfolio managers are required to take into account the GHG emission intensity of the countries in which investments are made, within the limits of data quality and availability, in line with ESG integration.

						No strict exclusion criteria have been defined for this indicator to date. However, ETHENEA invests primarily in OECD countries. Social pressure in these countries to reduce GHG emissions is evident, even if not every government is taking appropriate action. It is the responsibility of the portfolio managers to take further measures to improve the situation in individual countries if necessary, to define appropriate targets or to sell existing investments if there is little prospect of improvement.
Social	16. Investee countries subject to social violations	Number of countries in which investments are made that violate social provisions in accordance with international treaties and agreements, the principles of the United Nations or, where applicable, national legislation (absolute number and relative number, divided by all countries in which investments are made)	0,00	0,00	N/A	In our funds, the responsible portfolio managers are required to take into account violations of social regulations in the countries in which investments are made, within the limits of data quality and availability, in line with ESG integration. ETHENEA excludes investments in bonds issued by countries that are classified as ‘not free’ in the annual analysis by Freedom House (www.freedomhouse.org).

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [prior year]**	**Explan-ation**	**Actions taken, and actions planned and targets set for the next reference period**
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	N/A
Energy efficienc y	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	N/A

Other indicators for principal adverse impacts on sustainability factors ö

Additional climate and other environment-related indicators						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [prior year]**	**Explan-ation**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	26,42	15,22	s. page 18	In our funds, the responsible portfolio managers are required, in line with ESG integration, to support initiatives to reduce CO_2 emissions in the companies in which investments are made, within the scope of availability, or even to initiate such initiatives themselves. No hard exclusion criteria have been defined for this indicator to date.

						It is the responsibility of the portfolio managers to launch individual initiatives to improve the situation in individual companies, define appropriate targets, join joint initiatives or sell existing investments if there is little prospect of improvement.

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [prior year]**	**Explan-ation**	**Actions taken, and actions planned and targets set for the next reference period**
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Anti-corruption and anti-bribery	15. Lack of anti- corruption and anti- bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	0,11	0,00	N/A	In our funds, the responsible portfolio managers are required, in line with ESG integration, to support measures to combat corruption and bribery in the companies in which investments are made, within the limits of what is available. No strict exclusion criteria have been defined for this indicator to date. It is the responsibility of the portfolio managers to propose individual measures to improve the situation in individual companies, define appropriate targets, join joint initiatives or sell existing investments if there is little prospect of improvement.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The portfolio management team follows the principle of ESG integration. To this end, ESG risk indicators or sustainability factors are systematically taken into account in the investment process. Within this framework, the portfolio managers also analyse the most significant adverse impacts on sustainability factors. To identify, measure and evaluate adverse sustainability impacts, the portfolio managers draw on external analyses by ESG agencies, public company documents and notes from direct dialogue with company management. The adverse sustainability impacts (e.g. greenhouse gas emissions, water intensity, frequency of occupational accidents, violations of the UN Global Compact, diversity on the supervisory board) can thus be analysed comprehensively and taken into account in investment decisions.

In principle, when assessing the sustainability of investments, various sustainability aspects are weighted according to their relevance to the respective business model. For example, greenhouse gas emissions are significantly more relevant in particularly CO_2-intensive sectors than in less CO_2-intensive sectors.

The ability to systematically consider the most significant adverse sustainability impacts depends largely on the quality of the available data. This varies depending on the asset class/investment universe. For example, not all data on the companies in which ETHENEA invests is available in sufficient quantities. ETHENEA actively seeks to improve data quality in the long term through engagement (e.g. via initiatives such as the Carbon Disclosure Project (CDP) or direct dialogue). We expect to see a gradual improvement in the data base in the coming years.

Engagement policies

The engagement policy is exercised in the form of voting rights. In order to safeguard the interests of the investors and to fulfil the associated responsibility, ETHENEA exercises the shareholder rights associated with the managed investment assets in the interests of the investors and good corporate governance.

In the case of bond investments, creditor rights are exercised in particular in connection with restructurings.

Furthermore, the portfolio manager is required to actively engage in dialogue with the company's management in order to coordinate sustainability goals, critically examine them and, if necessary, make suggestions for improvement. This can take place, for example, during roadshows, at press conferences and following the presentation of quarterly or annual results, at conferences, directly at the company's premises, in meetings and dialogues with company representatives or ad hoc via investor relations.

In addition, individual thresholds are defined for all funds, above which an investment with an excessive ESG risk rating must be accompanied by a targeted engagement process. Individual adverse sustainability impacts may trigger this excessive ESG risk rating, in which case the engagement process will refer directly to them and seek to achieve a concrete improvement in individual indicators. However, the excessive ESG risk rating may also have other reasons that are not directly related to the adverse sustainability impacts mentioned in this statement, meaning that the engagement process does not refer directly to adverse sustainability impacts.

Reference to international standards

In its capacity as a capital management company, ETHENEA is required to give top priority to the interests of investors. Beyond applying the applicable laws and regulatory requirements, we pursue a responsible investment approach and adhere to leading national and international standards, which serve as benchmarks for our sustainable investment decisions. These include, in particular, the United Nations Principles for Responsible Investment (PRI). With its commitment to these principles, ETHENEA has been officially operating under the umbrella of sustainability since 2017 as part of its active portfolio management style. Our fund managers actively incorporate environmental, social and corporate governance aspects, known as ESG factors, into their investment analysis and decision-making process.

However, ETHENEA's compliance with international standards is not directly linked to individual PAI indicators. Consequently, compliance with international standards is not measured on the basis of individual PAI indicators. Therefore, no methods or data for measuring or aligning with these standards can be disclosed. A forward-looking climate scenario is also not used.

Historical comparison

This statement for the calendar year 2024 also includes a comparison with the previous year. The respective sustainability indicators for the two comparison years are clearly arranged side by side in the table starting on page 4. For the majority of the values, the deviations between the two years are within a manageable range despite the addition of new funds in the calculation, or the absolute values of the indicators are at very low levels, so that we do not consider any additional explanation necessary.

However, there are some notable year-on-year deviations, which we would like to discuss in more detail below

(1) for some greenhouse gas emission indicators (Scope 2 and Scope 3)

(2) in the ‘carbon footprint’

(3) in the ‘GHG emission intensity of companies’

(4) in the ‘proportion of hazardous and radioactive waste’ and

(5) in the additional climate indicator 4 ‘Investments in companies without initiatives to reduce CO_2 emissions’.

Regarding (1):

Greenhouse gas emissions (GHG) are divided into three categories, known as scopes, in order to comprehensively record a company's emissions:

Scope 1: This category includes direct emissions from sources owned or controlled by the company. This includes emissions from the combustion of fuels in company-owned or controlled facilities, as well as from industrial processes and chemical reactions that take place within the company.

Scope 2: These are indirect emissions from the consumption of purchased energy. This includes all greenhouse gas emissions resulting from the production of purchased electricity, steam, heat and cooling consumed by the company. Although these emissions are not directly caused by the company, they are a consequence of the company's energy consumption.

Scope 3: This category includes all other indirect emissions that arise in the company's value chain and are not covered by Scope 2. This includes emissions from upstream and downstream activities such as purchased goods and services, business travel, employee commuting, waste disposal, transport and distribution (not owned by the company), and the use and disposal of products sold by the company.

The distinction between these three scopes enables comprehensive accounting of greenhouse gas emissions, taking into account both the direct and indirect effects of a company's business activities.

Year-on-year, **Scope 2** data rose from 9,764.32 to 26,272.52 CO2 equivalent (tCO2e). There are several reasons for this increase.

Although exposure to three of the main contributors in the previous year (RWE, Phillips 66 and Linde) was significantly reduced, further stocks from this sector (Glencore, Stillwater Mining) were added to the existing mining stocks (Valero Energy and Anglo American). Mining is generally very energy-intensive because large amounts of energy are required for the extraction, processing, transport and chemical conversion of raw materials. While the ESG challenges in the mining sector are undeniable, we believe that a blanket rejection is too short-sighted. A differentiated analysis that takes into account the **strategic necessity of raw materials for global energy transitions**, the **financial potential** and the **efforts of companies to improve their ESG performance** justifies, in our view, an investment in selected mining stocks and can even be an integral part of a sustainable portfolio. The aim is to find companies that not only supply raw materials, but also do so in an increasingly **responsible** manner, thereby contributing to overcoming global challenges.

Another factor contributing to the increase in Scope 2 data was investment in semiconductor stocks (SK Hynix and TSMC) and electric car and battery manufacturer BYD. Both semiconductor and battery production are very energy-intensive. The manufacture of microchips requires a variety of energy-intensive processes, including material cleaning, lithography, layer deposition and etching. These processes require constant and precise temperature control, which further increases energy consumption. In terms of energy consumption in battery production, it is estimated that approximately 20 to 40 kilowatt hours (kWh) of energy are required per kilowatt hour (kWh) of battery cell capacity. Despite these obviously high energy costs and the associated ESG challenges for both technologies, this must be seen in the context of their role as **enablers of global decarbonisation and digitalisation**. Without them, broader ESG goals (such as achieving net-zero emissions) are unattainable.

Year-on-year, **Scope 3** data fell from 3,886,767.19 to 1,083,531.21 CO2 equivalent (tCO2e). This reduction of almost 70% is attributable, on the one hand, to the sale or drastic reduction of the two main contributors in the previous year (Siemens Energy and General Electric) and, on the other hand, to the increase in the fund volumes to be taken into account. The decline in total emissions can therefore be explained precisely by this reduction in Scope 3 data.

Regarding (2):

Year-on-year, the **carbon footprint** fell from 1,652.62 to 294.27 CO2 equivalents (tCO2e) per million euros invested. This is because Siemens Energy, the main contributor in the previous year, reduced its emissions significantly from 1.0% to less than 0.1%. In the previous year, the contribution of this company alone was approximately ten times that of the next largest contributor.

Regarding (3):

Year-on-year, the **‘GHG emissions intensity of the companies’** fell from 1,146.92 to 499.41 CO2 equivalent (tCO2e) per million EUR generated revenue. The same reasoning applies here as for the change in Scope 3 data.

Regarding (4):

Year-on-year, hazardous and radioactive waste rose from 0.39 to 31.2 tonnes per million euros invested. This enormous increase is attributable entirely to one share in a mining company (Agnico Eagle Mines – 0.7%) and two bonds issued by a raw materials company (Glencore – 0.6%). Business activities in mining/extraction of raw materials are inherently waste-intensive. However, it is important to distinguish between the generation of hazardous waste (as measured by the PAI) and a company's handling of this waste. A high PAI score does not necessarily mean that a company manages its waste poorly. Agnico Eagle, for example, invests heavily in mitigating the risks associated with this waste through advanced tailings pond designs, water management and decommissioning plans. However, the initial generation of large quantities of hazardous waste remains a key feature of the process.

Regarding (5)

Year-on-year, the share of **‘investments in companies without initiatives to reduce CO_2 emissions’** rose from 15.22% to 26.42%. The increase is mainly due to a change in asset allocation, which was also influenced by the addition of new funds. On the one hand, the proportion of government bonds and cash fell again, while on the other hand, the weighting of companies such as NVIDIA, Morgan Stanley and 3M, which are not taking any initiatives in this direction, increased.

ETHENEA Independent Investors S.A. (Société Anonyme)

16, rue Gabriel Lippmann
5365 Munsbach, Luxembourg
Ust-IdNr. LU24217304
Phone +352 276 921-10
Fax +352 276 921-1099
info@ethenea.com