ETHENEA

Statement

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

Principal Adverse Impacts, PAI-Statement

As of: June 2024

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) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on 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 2023 (referred to as "year 2023" 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.

Adverse effects on these factors through investments can result, for example, from the co-financing of controversial business practices and controversial business areas. Controversial business practices are understood to include violations of International Labour Organization (ILO) standards, including child 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.

- **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.
- **Exclusion criteria:**
  Direct investments in companies that are active in controversial business areas are excluded company wide. The exclusions are supplemented by standards-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 level of sovereign bonds, where investments in sovereign bonds of non-free countries are excluded (based on Freedom House analyses; www.freedomhouse.org).
- **Engagement:**
  ETHENEA understands engagement to be the active dialogue with the companies in its portfolios as well as their exercise of voting rights at general meetings. The aim of the engagement activities is to always actively influence the ESG profile of the companies over the investment period and thus to reduce negative impacts on sustainability factors.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact [year 2023]	Impact [prior year]	Explana-tion	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Green-house gas emissions	1. GHG emissions	Scope 1 GHG emissions	101,289.81	66,683.01	s. page 13	In our funds, the responsible portfolio managers take care to consider the greenhouse gas emissions of the companies in which investments are made, within the scope of data quality and availability. ETHENEA excludes companies that generate more than 25% of their revenue from the production and/or sale of coal or the generation of electricity from coal. Coal-fired power plants are undoubtedly major climate polluters. For example, according to the German Federal Environment Agency, about half of all CO_2 emissions in Germany are caused by the energy industry – most of it by burning coal. On the other hand, coal-fired power generation is also a component of energy security. With the aforementioned limit, ETHENEA therefore still enables investment in companies that are active in coal-fired power generation but are developing in the direction of renewable energies. Furthermore, it is the responsibility of the portfolio managers, if necessary, to take further measures to improve the situation in individual companies, to define
		Scope 2 GHG emissions	9,764.32	9,869.01	N/A	
		Scope 3 GHG emissions	3,886,767.19	237,368.39	s. page 13	
		Total GHG emissions	3,997,821.33	313,920.42	s. page 13	
	2. Carbon footprint	Carbon footprint	1,652.62	122.04	s. page 13	
	3. GHG intensity of investee companies	GHG intensity of investee companies	1,146.92	308.41	s. page 13	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2.75	3.09	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	55.97 (Consump-tion) 32.68 (Production)	63.94 (Consump-tion) 39.15 (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:				

		• Energy Consumption Intensity Agriculture, Forestry & Fishing-SFDR	N/A	N/A	N/A	corresponding goals or to sell existing investments if there is no prospect of improvement. The reasons why the increases in the emissions indicators, some of which appear very high at first glance, are misleading are explained in the "Historical comparison" section on page 13.
		• Energy Consumption Intensity Construction-SFDR	0.08	N/A	N/A	
		• Energy Consumption Intensity Electricity, Gas, Steam & Air Conditioning Supply-SFDR	4.69	6.44	N/A	
		• Energy Consumption Intensity Manufacturing-SFDR	0.14	0.20	N/A	
		• Energy Consumption Intensity Mining & Quarrying-SFDR	1.37	1.79	N/A	
		• Energy Consumption Intensity Real Estate Activities-SFDR	0.35	0.95	N/A	
		• Energy Consumption Intensity Transportation & Storage-SFDR	0.81	1.21	N/A	
		• Energy Consumption Intensity Water Supply, Sewerage, Waste Management & Remediation Activities-SFDR	0.00	0.45	N/A	
		• Energy Consumption Intensity Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles-SFDR	0.06	0.08	N/A	
Biodiversi-ty	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	3.29	5.13	N/A	In our funds, the responsible portfolio managers take care to consider, in the sense of ESG integration, possible negative impacts on biodiversity by the companies in which investments are made, within the framework of data quality and availability. Hard exclusion criteria are not yet provided for this indicator. It is up to the responsible

						portfolio managers, if necessary, to take further measures to improve the situation in individual companies, to define corresponding targets or to sell existing investments if there is no 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	0.00	0.03	N/A	In our funds, the responsible portfolio managers take care to consider, in the sense of ESG integration, the water emissions caused by the companies in which investments are made, within the scope of data quality and availability. Hard exclusion criteria are not yet envisaged for this indicator. It is up to the responsible portfolio managers, if necessary, to take further measures to improve the situation in individual companies, to define corresponding targets or to sell existing investments if there is no 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	0.39	0.55	N/A	In our funds, the responsible portfolio managers take care to consider the proportion of hazardous and radioactive waste generated by the companies in which investments are made, within the scope of data quality and availability. Hard exclusion criteria have not been provided for this indicator so far. It is up to the responsible portfolio managers, if necessary, to take further measures to improve the situation in individual companies, to define corresponding targets or to sell existing investments if there is no prospect of improvement.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND 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 take care to consider 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 scope 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 grievances. Furthermore, it is the responsibility of the portfolio managers, if necessary, to take further measures to improve the situation in individual companies, to define corresponding goals or to 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	25.85	26.30	N/A	In our funds, the responsible portfolio managers take care to consider the lack of processes and compliance mechanisms to monitor compliance with the UNGC Principles and the OECD Guidelines for Multinational Enterprises in the companies in which investments are made, in each case within the framework of data quality and availability. Hard exclusion criteria are not yet provided for this indicator. It is up to the responsible portfolio managers, if necessary, to take further measures to improve the situation in individual companies, to define corresponding targets or to sell existing investments if there is no prospect of improvement.

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	18.35	14.52	N/A	In our funds, the responsible portfolio managers take care to consider the unadjusted gender pay gap in the companies in which investments are made, within the scope of data quality and availability. Hard exclusion criteria are not yet envisaged for this indicator. It is up to the responsible portfolio managers, if necessary, to take further measures to improve the situation in individual companies, to define corresponding targets or to sell existing investments if there is no 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	35.80	33.19	N/A	In our funds, the responsible portfolio managers take care to consider the gender diversity in the management and control bodies of the companies in which investments are made, within the scope of the data quality and availability. Hard exclusion criteria have not been provided for this indicator so far. It is up to the responsible portfolio managers, if necessary, to take further measures to improve the situation in individual companies, to define corresponding targets or to sell existing investments if there is no 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 take care to consider the exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons) in the companies in which investments are made, within the framework of 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 that finance such companies/products.

Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [prior year]**	**Explana-tion**	**Actions taken, and actions planned and targets set for the next reference period**
Environ-mental	15. GHG intensity	GHG intensity of investee countries	0.20	0.23	N/A	In our funds, the responsible portfolio managers take care to consider the GHG emission intensity of the countries in which investments are made, within the scope of data quality and availability. Hard exclusion criteria are not yet provided for this indicator. However, ETHENEA invests mainly in OECD countries. The social pressure in these countries to reduce GHG emissions is evident, even if not every government always acts accordingly. It is up to the responsible portfolio managers, if necessary, to take further measures to improve the situation in individual countries, to define corresponding targets or to sell existing investments if there is no prospect of improvement.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations	0.00	0.00	N/A	In our funds, the responsible portfolio managers take care to consider violations of social regulations in the countries in which investments are made, within the framework of data quality and availability. ETHENEA excludes investments in bonds of countries that are declared "unfree" in the

		principles and, where applicable, national law				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]**	**Explana-tion**	**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 efficiency	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

Additional climate and other environment-related indicators						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [prior year]**	**Explana-tion**	**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	15.22	6.20	see page 15	In our funds, the responsible portfolio managers take care to support, in the sense of ESG integration, initiatives to reduce CO_2 emissions in the companies in which investments are made, in each case within the scope of availability, or even to initiate them themselves. Hard exclusion criteria are not yet envisaged for this indicator. It is up to the responsible portfolio managers, if necessary, to launch

						individual initiatives to improve the situation in individual companies and to define corresponding targets, to join joint initiatives or to sell existing investments if there is no 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]**	**Explana-tion**	**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	0.00	0.00	N/A	In our funds, the responsible portfolio managers take care to support anti-corruption and anti-bribery measures in the companies in which investments are made, in each case within the scope of availability, in the interests of ESG integration. Hard exclusion criteria have not yet been provided for this indicator. It is up to the responsible portfolio managers, if necessary, to propose individual measures to improve the situation in individual companies and to define corresponding targets, to join joint initiatives or to sell existing investments if there is no 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 considered in the investment process. Within this framework, the portfolio managers also analyse the most important adverse effects on sustainability factors. The portfolio managers draw on the external analyses of ESG agencies, public documents of the companies and notes from direct dialogues with company leaders to identify, measure and evaluate adverse sustainability impacts. 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 extensively and taken into account in investment decisions.

In principle, different sustainability aspects are weighted in the sustainability assessment of investments depending on their relevance for the respective business model. For example, the relevance of greenhouse gas emissions is significantly higher in particularly CO_2-intensive sectors than in less CO_2-intensive sectors.

The possibility of systematically considering the most important adverse sustainability impacts depends to a large extent on the available data quality. This varies depending on the asset class / investment universe. For example, not all data on the companies in which ETHENEA invests is available to a sufficient extent. ETHENEA is actively trying to work towards better data quality in the long term through engagement (e.g. via initiatives such as the Carbon Disclosure Project (CDP) or direct dialogue). In the coming years, we expect a gradual improvement of the data basis.

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 encouraged to actively engage in dialogue with the company's management to coordinate and critically question the sustainability goals and, if necessary, make suggestions for improvement. This can be done, for example, during roadshows, at press conferences and following the presentation of quarterly or annual results, at conferences, directly on site at the company, in meetings and dialogues with company representatives or ad-hoc via investor relations.

In addition, individual thresholds are defined for all funds, above which the investment must be accompanied by a targeted engagement process if the ESG risk assessment of an investment is too high. Individual adverse sustainability impacts can be the trigger for this excessive ESG risk assessment, so that the engagement process directly references this and pursues a concrete improvement of individual indicators as a goal. However, the ESG risk score being too high may also be due to other reasons that are not directly related to the adverse sustainability impacts identified in the context of this statement, so that the engagement process does not directly reference adverse sustainability impacts.

Reference to international standards

ETHENEA is obliged by its fiduciary function as a capital management company to give the interests of investors top priority. Beyond the application of the applicable laws and regulatory requirements, we pursue responsible investing with our investment approach and are guided by leading national and international standards, which are a benchmark for our sustainable investment decisions. These include, in particular, the "United Nations Principles of Responsible Investment" (PRI). With the commitment to comply with these principles, ETHENEA has now officially been acting from a sustainability perspective as part of its active portfolio management style since 2017. Our fund managers actively incorporate environmental, social and governance aspects, so-called 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, there is no measurement of compliance with international standards based on 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 declaration for the calendar year 2023 also enables a comparison with the previous year for the first time, with the respective sustainability indicators for the two comparative years clearly arranged next to each other in the table starting on page 4. For the majority of the values, the deviations between the two years are within a reaseonable range or the absolute values of the indicators are at very low levels, so that we do not deem it necessary to provide additional explanations.

However, there are notable year-on-year deviations for some indicators relating to greenhouse gas emissions (climate indicators 1 to 3, as well as additional climate indicator 4), which we would like to discuss in more detail below.

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 burning 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 generation of purchased electricity, steam, heat and cooling consumed by the company. Although these emissions are not caused directly 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 do not fall under Scope 2. This includes emissions from upstream and downstream activities such as purchased goods and services, business travel, employee commuting, waste disposal, transportation 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 a comprehensive assessment of greenhouse gas emissions that takes into account both the direct and indirect effects of a company's business activities.

There were minor year-on-year deviations in the **scope 1** data (increase from around 67,000 tons of CO2 equivalent (tCO2e) in 2022 to around 101,000 tCO2e in 2023), which resulted in particular from a higher bond allocation of utilities such as RWE, EnBW and Fortum. Due to their business activities, energy suppliers are inevitably among the companies with the highest emissions, but are also essential for ensuring security of supply. Only four bonds issued by these three companies with an average aggregate weighting of 2.81% contributed around 2/3 of the 101,000 tCO2e mentioned above (with approx. 67,000 tCO2e). It should be noted that, on the one hand, the companies are making significant progress in reducing emissions (RWE, for example, produced more electricity from renewable energies than from coal for the first time in 2023) and, on the other hand, some of the investments made were made in so-called green bonds, which are used exclusively and explicitly to finance climate-friendly projects.

More significant than the increase in the scope 1 data was the increase by a factor of 16 in the **scope 3** data (increase from around 237,000 tCO2e in 2022 to around 3,887,000 tCO2e in 2023), which was then also reflected in the **total GHG emissions** and the two indicators derived from this (**carbon footprint** and **GHG intensity**). The composition of the reported scope 3 emissions of almost 4 million tCO2e is even more concentrated and therefore quite easy to explain. More than 85% of the emissions come from investments in 2 companies: Siemens Energy (with a weighting of 1.18% via bonds) and General Electric (0.60% via equities). As explained above, scope 3 also includes all emissions from the use of products sold by the company. Among other things, both companies manufacture gas turbines that are expected to be in use by their customers for many decades, which means that the scope 3 emissions reported today are literally exploding. At the same time, gas-fired power plants are currently seen as key enablers of the energy transition. If wind and solar are not sufficient to cover the immediate energy demand, gas-fired power plants will still have to be connected to the grid for the foreseeable future to support renewable energies and stabilize the grid as peak-load power plants. It should also be noted that the bond investments in Siemens Energy, which alone account for almost 81% (!) of the total scope 3 emissions reported for ETHENEA, were made exclusively via two green bonds issued in March 2023, which strictly link the funds raised to expenditure in the wind energy sector.

In addition to the two **green bonds** mentioned above, the investments in 2023 included 26 other green bonds, which accounted for an average of 8.7% of the total investments. According to a publication by the European Securities and Markets Authority (ESMA) with practice-relevant questions & answers on the Sustainable Finance Disclosure Regulation dated November 17, 2022 (JC 2022 62), some indicators, in particular GHG emissions, can be reported at "project" level instead of company level for these project-related financings. Due to a lack of data at project level and a very high manual effort in reporting, we have not made use of this option in this report, which means that the values shown are heavily distorted upwards.

There was a final notable deviation in the year-on-year comparison for climate indicator 4 "**investments in companies without carbon emission reduction initiatives**", which is listed on page 10 under the additional climate indicators. Here, the increase from 6.20% in 2022 to 15.22% in 2023 is due in particular to a change in asset allocation. While the share of government bonds and cash fell by around 18 percentage points in 2023 compared to 2022, the share of corporate investments increased accordingly. As a result, the reported share of investments in companies without carbon emission reduction initiatives has also risen year-on-year.

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