



ETHENEA

Sustainability Report 2022



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Foreword

Dear Readers,

These are tense times. After the global pandemic, the aftermath of which is still being felt in the form of supply bottlenecks and staff shortages, the Russia-Ukraine conflict is keeping the world on tenterhooks in a way we haven't seen in a long time.

The impact on the financial industry and asset management can be seen in the financial markets. Food, energy and commodity prices have risen sharply. However, climate protection must not be neglected. Climatic changes such as heat waves, floods and droughts cannot be ignored.

As asset managers, we are currently operating in an enormously challenging environment. Our sustainable portfolio management is characterised by unprecedented and fast-moving changes due to geopolitical and sanction-related reactions of the democratic world community. The energy crisis has a significant impact on the European understanding of sustainable activities as fundamentally defined in the EU Taxonomy Regulation.

In this second sustainability report of ETHENEA, we would like to show you which sustainability approach we pursue and how it is implemented in our investment processes and

decisions as well as at the company level. The entire management company as well as the entire portfolio management team is responsible for the continuous further development of the sustainability approach and essential structures in the team-oriented approach with which you are familiar.

**Sincerely yours,
Thomas Bernard**



Thomas Bernard
CEO
ETHENEA Independent Investors S.A.



Chapter 1

ETHENEA – who we are and what is important to us

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Signatory to the UN Principles for Responsible Investment

On 28 November 2017, ETHENEA signed the Principles for Responsible Investment (PRI) and committed to sustainability in its active asset management process by respecting the six United Nations Principles for Responsible Investment developed by the United Nations in 2006 to integrate ESG principles into investment practice. PRI signatories are required to publish an annual report on their responsible investment activities. Since becoming a signatory, ETHENEA has consistently sought to integrate the six principles into its processes. This is also reflected in the PRI Transparency Report, which is published annually and can be viewed on the [PRI website](#). Problems with the data processing of the 2021 data on the PRI side meant that no survey took place in 2022. It is only this year that signatories will be asked to report on their progress in the area of responsible investment.

With our commitment to these principles, ETHENEA has now been formally committed to sustainability in its mandates for several years. The portfolio management team actively incorporates environmental, social and governance aspects (ESG factors) into its investment analysis and decision-making process with a view to taking responsibility for a sustainable society.

The sustainable investment of funds entrusted to ETHENEA has played an important role for years. Accordingly, the portfolio management team is committed to applying the following principles when actively managing portfolios and making investment decisions:

6. Principle:

We will report on our activities and progress towards implementing these principles.

5. Principle:

ETHENEA's different departments will work together to increase effectiveness in implementing these principles.

1. Principle:

We will be mindful of appropriate disclosure of ESG issues in the companies in which we invest.

2. Principle:

Where practicable, we will be active shareholders and integrate ESG issues into our ownership policies and practices.

3. Principle:

We will integrate environment, social and governance issues into our investment analysis and decision-making processes.

Signatory of:



4. Principle:

We will promote acceptance and implementation of these principles within the investment industry.

Sustainability-related disclosure obligations

Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector (Sustainable Finance Disclosure Regulation (SFDR)) requires all participants in the financial markets and in financial advisory services in the EU to disclose information on the integration of sustainability risks and the consideration of adverse impacts on sustainability in their processes.

The SFDR is an important component of the European Commission's Sustainable Finance Action Plan. This regulation is designed to improve transparency concerning the sustainability of financial products in order to direct funds into truly sustainable investments and prevent greenwashing.


The "double materiality principle" is at the heart of SFDR:

By considering both financial and sustaina-

bility aspects, investors will be better able to understand the extent to which ESG and sustainability factors are taken into account in their investments.

At ETHENEA, both the three Ethna funds and the HESPER FUND – Global Solutions are classified as Article 8 funds under the new Sustainable Finance Disclosure Regulation. Article 8 funds pursue a sustainability strategy. The companies in which they invest must follow good governance (G) practices and the fund must take environmental (E) and/or social (S) criteria into account in its investment process. This reaffirms our resolve to offer our clients responsible investment solutions with a competitive and sustainable return.

Of course, ETHENEA complies with this obligation and has been providing its investors with detailed information since 10 March 2021. This information can be

found for each relevant product, clearly and comprehensively prepared, within the fund information provided on the [website](#) of the Company. 

With the start of the year, the so-called "pre-contractual information" on sustainability aspects has found its way into the sales prospectuses of the products we manage. Essential aspects of the investment process are presented in a general framework with uniform chapters for all products. The annual reports of the funds have also been expanded. Readers will now find "regular information" on the sustainability features of the funds.

In June 2023, the management company will also publish its first PAI (Principal Adverse Impacts) report at company level, in which it will make a statement on the principal adverse impacts of investment decisions on sustainability factors.

Implementation at company level

In addition to factoring ESG criteria into investment decisions, integrating sustainability aspects at the company level is an integral part of the corporate strategy. ETHENEA has launched a large number of initiatives in the past to minimise its environmental footprint and contribute to a more sustainable and socially responsible society.

In particular, the avoidance of discrimination of any kind in employment and occupation is fully guaranteed by ETHENEA at all times. Breaches of these policies are unacceptable. ETHENEA also works continuously on increasing employee diversity. Environmental issues are addressed through our responsible use of resources and focus on environmentally relevant factors that are relevant to the environment, savings and resource-efficient corporate management.

ETHENEA has also recently taken the following measures:

1. The Company purchases green electricity for its office building.
2. Only hybrid or e-cars will now be approved as company cars.
3. Five new charging stations with two charging points will be installed in the underground car park.
4. Business travel by car or plane is being scaled back.
5. Where possible, IT-based tools such as Microsoft Teams are used for meetings and conferences.
6. Company benefits, e.g. Cheque Repas, company pension scheme.
7. We have stopped the use of water from plastic bottles and instead have drinking water dispensers in the kitchen.
8. Use of organic cleaning products.
9. Encouraging a healthy lifestyle through the availability of a fitness room for employees on site.





Chapter 2

Organisation

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Authenticity and character are the cornerstones of ETHENEA's approach to sustainability.

ETHENEA, as a company, provides optimal frameworks and tools for portfolio management to implement their ESG approaches and defines minimum exclusions such as investments in companies with a core activity in armaments, tobacco, pornography, speculation in basic foodstuffs and/or the mining/distribution of coal. The individual portfolio managers have downstream independence in the individual design of the research process and the integrated analysis of ESG risks.



Conditions

The funds managed by ETHENEA are all multi-asset funds that can invest flexibly in different asset classes such as equities, bonds, commodities, currencies and cash. Each fund sets different priorities in its allocation based on its risk-reward profile. Ethna-DEFENSIV invests primarily in bonds and Ethna-DYNAMISCH invests primarily in equities. Ethna-AKTIV is particularly flexible and prioritises equities or bonds depending on the market assessment. Commodities, currencies and cash are mixed in for diversification or when, in the opinion of the portfolio management, attractive investment opportunities arise. HESPER FUND – Global Solutions is primarily macro-driven and also invests heavily in ETFs and derivatives.

ETHENEA's ESG Committee has been in existence for quite some time. Membership of the ESG Committee consists of equal numbers of one member from ETHENEA management, one member from Compli-

ance, and one member from Risk or portfolio management. The ESG Committee will meet regularly, but at least once every six months.

The ESG Committee discusses significant developments, including changes in regulatory requirements related to sustainable investment, and reports to the Board of Directors and the management of ETHENEA.

ETHENEA established a number of additional committees to complement the ESG Committee in 2021 after intensive deliberations on the implementation and maintenance of specific requirements in the context of ESG implementation, monitoring and documentation, the effective organisation of vibrant internal dialogue and the continuous application of ETHENEA's ESG standards as a key criterion in the Company and in portfolio management.

The individual design of the individual fund

philosophies, which is based on ESG, is supported by a forum that creates a space for the exchange of ideas and suggestions for continuous further development. In 2021, the first steps were taken to form an ESG task force consisting of representatives from the individual fund teams.

The ESG Council supports the ESG Committee. This is an independent advisory board, which also has a mediating role.

Since 2021, the ESG Council, the ESG Committee and the ESG Task Force have been working together constructively and adding value.

Since 2021, the ESG Council, the ESG Committee and the ESG Task Force have been working together constructively and adding value.

The mode of operation and effect can be illustrated as follows:



Procedural support

ETHENEA provides the portfolio management team with a variety of standardised evaluations, individual analyses and detailed data from specialised data provider [Sustainalytics](#) on a daily or ad hoc basis for the evaluation of different types of sustainability risks. Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that provides analysis to investors around the world.

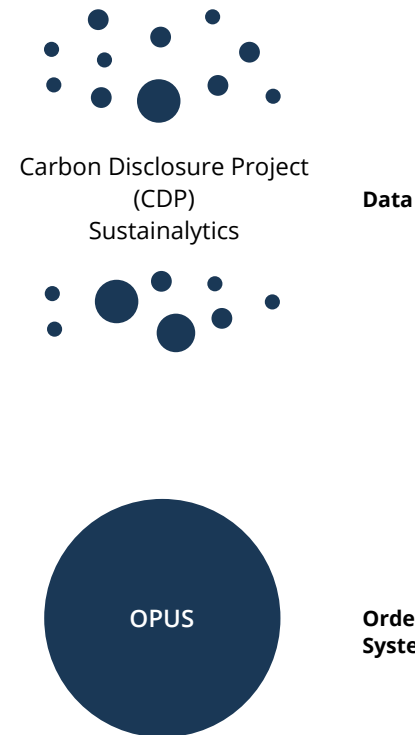
The Sustainalytics database serves as the basis for a wide range of ESG analyses with information on ESG risks, controversies, shareholdings and international standards and other issues. The database is updated daily. The database is supplemented by the annual democracy assessments (“Freedom

in the World”) published by the international NGO [Freedom House](#).



This database is used to maintain the exclusion lists in the order management system. Before a trade is executed, investment compliance is automatically monitored to ensure that the investment is permissible.

ETHENEA’s central data storage on its own servers enables it to provide timely and targeted support to the portfolio management team for enquiries and decisions.





Chapter 3

Success on the path to sustainable portfolio management

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Significant improvement to the ESG risk profile

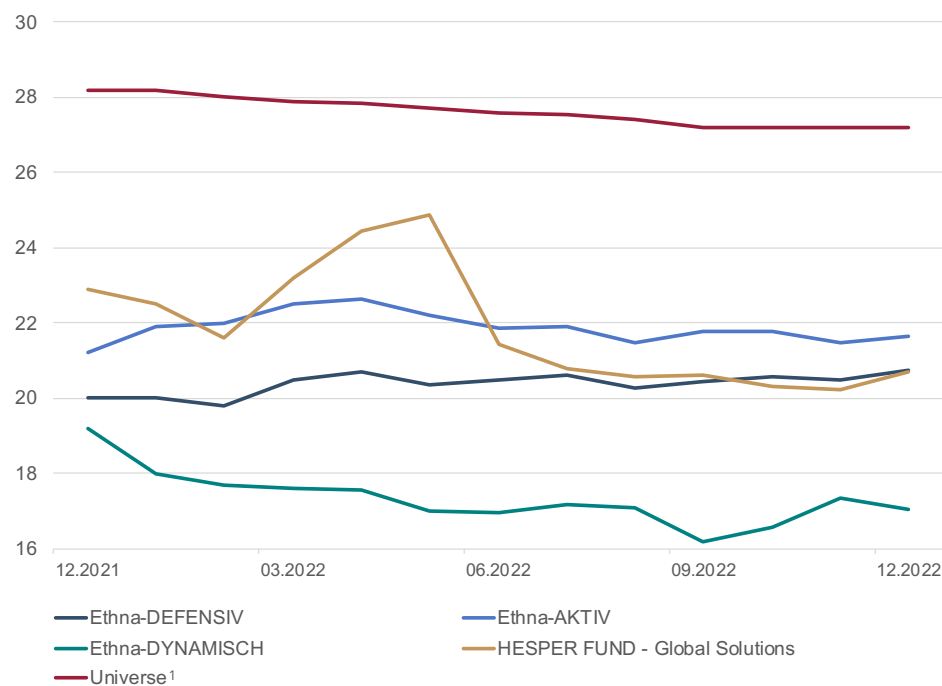
Among the funds managed by ETHENEA, the Ethna-DYNAMISCH and the HESPER Fund - Global Solutions were able to significantly improve their ESG risk profile in the past financial year. The other two funds, Ethna-AKTIV and Ethna-DEFENSIV, remained at a good level. Our ESG risk analysis tools indicate that risks have been significantly reduced across all funds and are well below the level of the broader market.

The risk profile of each fund is calculated on the basis of the weighted average ESG risk rating for each company provided by Sustainalytics, a subsidiary of Morningstar. The ESG risk rating takes into account a company's individual exposure to material ESG risks and includes the company's active management of these risks in the final rating. Ratings of different sectors are thus directly comparable with each other, so

that at portfolio level there is an informative value about the sustainability of the overall fund. Key factors here are: Corporate Governance, Product Governance, Business Ethics, Access to Basic Services, Human Capital, Bribery and Corruption, Emissions, Effluents and Waste, Occupational Health and Safety.

A strong ESG risk rating underlines that material ESG risks have been systematically mitigated at individual security level. It is clear that the efforts towards sustainability in recent years have been extremely successful and are now beginning to bear fruit.

ESG risk assessment



Source: Sustainalytics; own calculations

¹ The average ESG Risk Score of all companies in Sustainalytics' research universe.

External view of our portfolios

Our internal risk analyses reflect the positive development of our ESG risk profiles, which are also regularly confirmed by external, independent bodies. We work in close collaboration with Morningstar, which offers sustainability screening and ratings for a broad universe of mutual funds. This increases the transparency of our sustainability approach and makes it easier for existing and new investors to compare our products with those of our competitors.

Ethna-DYNAMISCH has a rating of five globes in the Morningstar Sustainability Rating at the time of this publication. The funds Ethna-DEFENSIV, Ethna-AKTIV and HESPER FUND – Global Solutions have been rated four out of five possible globes by Morningstar.

The ratings are interpreted as follows: Accordingly, 10% of the funds analysed with the lowest ESG risks have a five-globe rating,

the next 22.5% of funds with below-average ESG risks receive four globes, and the next 33% receive an average three-globe rating. This is followed by the 22.5% of funds with above-average risk, which receive a rating of two globes; the 10% of funds with the highest ESG risks receive a rating of one globe.

Correspondingly, Ethna Funds and HESPER FUND – Global Solutions, as the newest ETHENEA product, fall into the top third of the most sustainable mutual funds. Looking ahead, the objective of the portfolio management team is to maintain this top ranking and, ideally, to further improve on it.

				
3 years	★★★★	★★★★★	★★★	★★★★★
5 years	★★★★	★★★★	★★★	—
10 years	★★★	★★★★	★★★	—
Overall	★★★★	★★★★	★★★	★★★★★
Morningstar Sustainability	 Out of 6 013 Cautious Allocation funds as of 31/12/2022. Based on 94.50% eligible corporate AUM and 100% of eligible sovereign AUM. Data is based on long positions only.	 Out of 6 013 Cautious Allocation funds as of 31/12/2022. Based on 90.38% eligible corporate AUM and 100% of eligible sovereign AUM. Data is based on long positions only.	 Out of 5 524 Moderate Allocation funds as of 31/12/2022. Based on 94.45% eligible corporate AUM and 100% of eligible sovereign AUM. Data is based on long positions only.	 Out of 119 Macro Trading EUR funds as of 31/12/2022. Based on 97.92% eligible corporate AUM and 100% of eligible sovereign AUM. Data is based on long positions only.

Source: Morningstar. As of: 31.12.2022

Professional development to become a CESGA ESG analyst

In a context of growing social, environmental and regulatory challenges, it is becoming increasingly important to integrate ESG information into the investment process chain and to assess opportunities and risks in this context. And at the same time, the World Economic Forum reports that insufficient training in ESG is one of the biggest obstacles to integrating sustainability criteria into investment decisions. Consequently, two portfolio managers decided to train as EFFAS Certified Environmental, Social and Governance Analyst® (CESGA) in 2021. This professional development programme is designed to address social and environmental challenges by providing the necessary training for assessing, measuring and integrating ESG issues into investment decisions. [CESGA®](#) combines ESG expertise and fundamental company analysis at an academic level and covers the following topics, including:



- >> Integration of ESG criteria into the investment process chain.
- >> A systematic analysis of different ESG investment approaches.
- >> Evaluation of various ESG reporting standards.
- >> Responsible investing in diverse asset classes.
- >> Integration of ESG factors into valuation models.



Chapter 4

Portfolios

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Product classification under the Transparency Regulation (SFDR)

To establish more solid and objective criteria for assessing the sustainability of individual investment products, the European Union has enacted the Sustainable Finance Disclosure Regulation (SFDR), which has been in force since 10 March 2021. The prime objective of this EU Regulation is to provide the transparency and comparability that was previously lacking. Even though the Regulation was not fully implemented right from the start and further important ESG-relevant provisions such as the EU taxonomy and adjustments to the MiFID II Directive will follow, it can undoubtedly be seen as agenda-setting for investment funds.

Initially, the most visible distinguishing feature for all funds will be the classification based on their ESG strategy, with all mutual funds having to decide on one of the following three product categories:

Article 6	Article 8	Article 9
Article 6 funds are normal funds that do not pursue an explicit sustainability strategy.	Article 8 funds pursue a sustainability strategy. In doing so, the companies in which investments are made must apply good governance practices (G) and the fund's investment process must take into account environmental (E) and/or social (S) characteristics.	Article 9 funds pursue sustainable investments, often referred to as impact strategies. This requires the pursuit of a specific sustainability objective, such as the reduction of CO ₂ emissions.

At ETHENEA, both the three Ethna Funds and the HESPER FUND - Global Solutions are classified as Article 8 funds under the Sustainable Finance Disclosure Regulation. This reaffirms our resolve to offer our clients responsible investment solutions with a competitive and sustainable return. ESG is and will remain a cornerstone. Furthermore, we thereby ensure that our funds can continue to serve as a core investment in our investors' allocation.

Product classification according to target market definition (MiFID II)

The regulation 2021/1253 of the EU Commission regulates the definition of sustainability of a financial instrument as an extension of the MiFID II Regulation. Accordingly, a sustainable instrument should, roughly summarised, fulfil one of the following three criteria:

- Minimum proportion of environmentally sustainable investments in the Taxonomy Regulation (2020/852),
- Minimum proportion of sustainable investments as defined in the EU Disclosure Regulation (2019/2088),
- Consideration of Principal Adverse Impacts on sustainability factors (also called PAIs).

At ETHENEA, we have decided to comply with the latter point ([ETHENEA statement on adverse sustainability impacts](#)).



In doing so, we go one step further and base our practical implementation on an industry standard. The German Banking Industry Committee (GBIC), together with the German Investment Funds Association (BVI) and the German Derivatives Association (DDV) have developed a common standard for the determination of the target markets for securities, which is also gaining increasing interest in other European markets.

All investment assets managed by ETHENEA therefore take into account:

- a dedicated ESG strategy,
- the standard PAIs on environmental and social issues,
- the minimum exclusions defined by the associations, as well as
- a recognised industry standard (UN PRI).

In line with this, the portfolio management is committed to complying with comprehensive minimum exclusions of critical investments and to systematically integrating sustainability aspects into the investment process. This may be done, for example, by exercising voting rights, actively exercising shareholders' or creditors' rights and/or through dialogue with issuers. The portfolio management also pursues a dedicated ESG investment strategy, which is described in more detail hereinafter.

ESG investment process in detail

The portfolio management regards the integration of ESG criteria as an integral part of the investment process; accordingly, ESG factors are taken into account in every investment decision. To ensure that the necessary ESG standards and criteria are applied at every level of portfolio construction, the portfolio management pursues a standardised ESG analysis and decision-making process. If there is any deviation from the defined process, the portfolio manager is required to obtain the consent of the ESG Committee.

The ESG investment approach consists of a three-step process. Information from external service providers is included in addition to internal research.

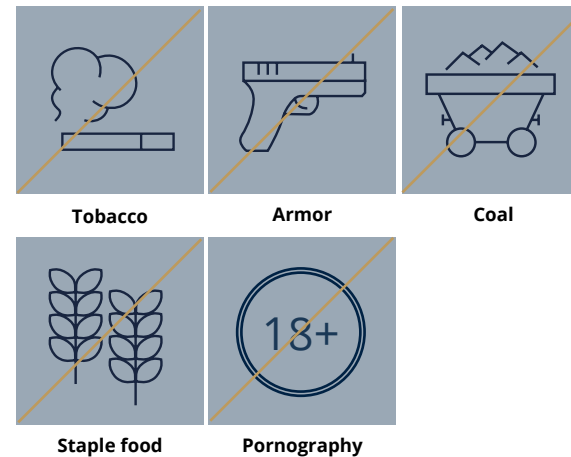


1. Exclusion procedure

When selecting securities, we exclude companies that do not meet our understanding of minimum standards for a sustainable business model (“negative screening”). To that end, we have developed investment exclusion criteria. These criteria apply to companies whose core activities include the production of or trade in arms, tobacco, pornography, staple food speculation and coal. However, the possibility of the fund investing in large, internationally active conglomerates (such as Siemens) whose customers include the military cannot be ruled out.

Furthermore, we do not invest in companies that have been found to be in serious breach of the principles of the UN Global Compact and have no convincing plan in place to remedy the situation.

In the case of sovereign issuers, we exclude investments in countries that have been designated as “Not Free” in the annual analysis carried out by Freedom House (www.freedomhouse.org).



2. ESG risk assessment

The portfolio management team then forms an opinion on the main sustainability risks associated with an investment. In its investments, the portfolio management gives preference to companies that already have low exposure in terms of significant ESG risks and can therefore be described as non-critical, or that actively manage and thus reduce the ESG risks inevitably associated with their business activities.


The portfolio management has access to [Sustainalytics](#) to assess the ESG risks relevant to the individual companies. The risk assessment can be carried out objectively, quickly and efficiently for a large investment universe by working with an external service provider. Sustainalytics sums up the results of its analysis in an ESG risk score ranging from 0 to 100.

Objectively verifiable criteria have been established for each of the funds managed by ETHENEA. Based on the ESG risk score

provided by Sustainalytics, the funds aim to achieve at least a medium ESG risk profile (score of under 30). Individual securities with high risks (score of over 40) are only considered for investment in justified exceptional instances, and must be supported by an active engagement process designed to improve the ESG risk profile of the investment. Individual securities with serious risks (ESG risk score greater than 50) are fundamentally excluded.

If less than 51% of the fund's company-related direct investments are included in an ESG risk score calculated by Sustainalytics, the portfolio managers must prepare their own analyses with comparable results or select alternative investments with an existing ESG risk score. Investments (e.g. IPOs for equities, new bond issues) are sometimes not covered by Sustainalytics. In this case as well, portfolio managers are required to conduct their own analyses in order to remain in compliance with the ESG process.

Example of an in-house ESG analysis from ETHENEA



ETHENEA

Trafigura

Various bonds
Last revised 27 January 2022

Fixed Income
Refining & Marketing
Singapore

Contact: Conference Call/Corporate Presentation 12 January 2022.

→
ESG RISK RATING

Trafigura has set measurable targets in all areas of ESG, which are aligned with the UN Sustainable Development Goals, 3 Good Health & Wellbeing, 7 Affordable & Clean Energy, 8 Decent work & Economic growth, 9 Industry, Innovation & Infrastructure, 12 responsible consumption and production, 13 climate action, 16 peace, justice & strong institutions, 17 partnership for the goals.

Environment
CO₂ emissions (Scope 1 & 2) increased by 14% in 2020 and decreased again by 22% in 2021. The worsening of emissions in 2020 is mainly due to increased emissions from Nyrstar (reconsolidated) and increased demand for shipping offerings. Trafigura has set a target to reduce GHG emissions by 30% over the next 3 years (from the increased 20 level). A target for Scope 3 emissions will then be defined in 2023. In December 2021, Trafigura set a target to reduce the intensity of emissions from its shipping fleet by 25% by 2030.

Many commodities that Trafigura mines, processes or trades are needed for a "greener" future. Aluminium → Lightweight construction, copper → Electrification, nickel and cobalt → Batteries

Social
Trafigura has also set measurable goals in this area, which mainly revolve around employee health.

Governance
Many initiatives and measurable targets in this area, independent monitoring by US law firm Quinn Emanuel Urquhart & Sullivan LLP. [Trafigura Code of Business Conduct](#) | [Trafigura](#)

→ Trafigura is active in the trading of oil and gas and other commodities. Trafigura has set itself the goal of reducing CO₂ emissions by 30% between 2021 and 2023. Many of the commodities Trafigura trades are important for a future global reduction of CO₂ emissions.

→ Monitoring the achievement of CO₂ emission reduction targets, 2021 CO₂ targets achieved.

→ Investment can be made.

ENVIRONMENT	+	/	-
Oil & Gas energy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Coal energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Nuclear energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental damages	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SOCIAL			
Gambling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adult Entertainment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tobacco	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Weapons	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Controversial weapons	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labor rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Child labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
GOVERNANCE			
Corruption / Bribery	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disclosure	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shareholder structure	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Supervisory Board structure	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
MARKET DATA (millions of EUR)			
Market cap	Not listed	Revenue	147,000
Free float (%)	private	Ebitda	6,000
SHAREHOLDER		Position	% Out
Owned by 850 senior employee shareholders			
COMPANY DESCRIPTION			
Trafigura Group Pte Ltd., provides physical commodities trading services. It sources, stores, transports, and delivers raw materials including oil & refined products and metals and minerals. The company was founded by Bertrand Faure Beaulieu, Claude Dauphin and Eric de Turckheim in 1993 and is headquartered in Singapore.			
ESG REPORT			
Separator responsibility report 2021 trafigura sustainability report pdf.pdf			

Source: Bloomberg
+ = ESG-positive, N = ESG-neutral -- = ESG-negative

3. Engagement

Individual stocks with high ESG risks should be monitored with a targeted engagement process. With equity investments, the engagement process is implemented, for example, by exercising voting rights and actively exercising shareholder rights. For bond investments, creditor's rights can be exercised. In addition, the portfolio manager is obliged to actively engage in dialogue with the company's management to align the sustainability goals, to question them critically and, if necessary, to make suggestions for improvement. This can be achieved in the case of a bond issue, 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 on an ad hoc basis via investor relations. In any case, it is essential to maintain active dialogue on current business developments, the future strategic direction of the company and sustainability aspects, especially for individual ESG-critical securities.

Monitoring portfolio compliance with the ESG criteria

The Risk and Data Management department prepares a daily report that is used to continuously monitor portfolio compliance with the ESG criteria. This includes all changes that Sustainalytics has made to the investments in the fund since the previous day. Particularly important here are changed ESG risk scores and reassessments of controversies and compliance with the UN Global Compact. Existing investments may need to be reconsidered as a result of the change in assessment. The portfolio manager will promptly sell any investment that is placed on the exclusion list as a result of a change in assessment. If illiquidity or other reasons make this impossible, or if it is economically very disadvantageous for the investors, an alternative procedure must be agreed in consultation with the ESG Committee.

The daily reports also provide information on the distribution of the ESG risk scores of the investments and their average value. This gives the portfolio manager a continuous overview of the quality of the portfolio in terms of sustainability. The report also covers information on investments whose ESG quality is not assessed by Sustainalytics.

Conclusion

The second ETHENEA Sustainability Report is designed to provide you, our valued investors, a transparent overview of the progress we have made, the goals we have reached and the contribution we have made on the path to more sustainable asset management. We hope that we have been able to provide you with a clear demonstration that sustainability is one of our key concerns, and that it is firmly anchored in our core beliefs and is an integral part of our corporate philosophy.

With this sustainability report, we have reached another milestone, but there is still much to do. The asset management industry is undergoing extremely dynamic development and investors

justifiably expect the industry to take responsibility and make its contribution in a social and environmental context. Accordingly, the purpose of this sustainability report is more than just documentation; it will also be used for self-reflection and to help define future milestones on the journey towards more sustainable asset management.

ETHENEA has set itself the goal of continuing to expand the sustainability efforts implemented up to this point and to launch new initiatives. The objective must be to focus even more on sustainability without compromising on fund performance. We will do everything in our power to maintain and, ideally, improve our top rankings in the various ESG fund ratings this year.

We will always favour the more sustainable company if the risk-reward profile is equivalent. Critical securities that are not compatible with our sustainability approach are consistently excluded from our investment universe. It is also our declared ambition to maintain even closer contact with companies and to follow their progress closely.

Regulatory pressure and requirements for asset managers are becoming increasingly strict. ETHENEA has been taking the upcoming regulatory changes and transparency requirements under the EU taxonomy very seriously and is already looking at how to implement them as efficiently as possible. We want to lead by example in this area.

We will provide detailed, regular reports on the next steps to be taken as a result of the concrete implementation of the above-mentioned goals and on the further progress that has been made. ETHENEA's next sustainability report is scheduled for publication in 2024.

Your ETHENEA Team

Important notes

It is for product information purposes only and is not a mandatory statutory or regulatory document. The information contained in this document does not constitute a solicitation, offer or recommendation to buy or sell units in the fund or to engage in any other transaction. It is intended solely to provide the reader with an understanding of the key features of the fund, such as the investment process, and is not deemed, either in whole or in part, to be an investment recommendation. The information provided is not a substitute for the reader's own deliberations or for any other legal, tax or financial information and advice. Neither the investment company nor its employees or Directors can be held liable for losses incurred directly or indirectly through the use of the contents of this document or in any other connection with this document. The currently valid sales documents in German (sales prospectus, key information documents (PRIIPs-KIDs) and, in addition, the semi-annual and annual reports), which provide detailed information about the purchase of units in the fund and the associated opportunities and risks, form the sole legal basis for the purchase of units. The aforementioned sales documents in German (as well as in unofficial translations in other languages) can be found at www.ethenea.com and are available free of charge from the investment company ETHENEA Independent Investors S.A. and the custodian bank, as well as from the respective national paying or information agents and from the representative in Switzerland. The paying or information agents for the funds Ethna-AKTIV, Ethna-DEFENSIV and Ethna-DYNAMISCH are the following:

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ETHENEA

This sustainability report fulfils the requirements of the EU directive on the publication of non-financial information. It describes ETHENEA's activities and the impact of ETHENEA's activities on people and the environment and documents relevant key performance indicators. The report covers the period from 1 January to 31 December 2022. All information relates to ETHENEA Independent Investors S.A. and the activities of ETHENEA's portfolio management. The report is available on our website www.ethenea.com.

Your feedback or questions about our sustainability report are very welcome. To do so, please send us an email to: info@ethenea.com

We would like to thank all our colleagues who were involved in the publication of this report!

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