



ETHENEA

Sustainability-Related Disclosures

HESPER FUND – Global Solutions

Summary

The primary aim of the subfund investment policy is to achieve a reasonable increase in value in euro, taking into account the criteria of sustainability, value retention, capital security and liquidity of the subfund assets.

This financial product promotes environmental and social characteristics but does not have sustainable investments as referred to in the Regulation (EU) 2020/852 (the “EU Taxonomy”) as its objective.

In its bond and equity investments, the subfund gives preference to companies that have low exposure in terms of significant ESG risks as well as those that actively manage and thus reduce the ESG risks inevitably associated with their business activities.

In addition, the sustainability approach taken by the HESPER FUND - Global Solutions is underscored by comprehensive exclusions:

- Investments in companies with a core activity in armaments, tobacco, pornography, speculation in basic foodstuffs and/or the mining/distribution of coal are prohibited.
- Furthermore, investments 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 are prohibited.
- In the case of sovereign issuers, investments in countries that have been designated as “Not Free” in the annual analysis carried out by Freedom House (www.freedomhouse.org) are prohibited.

Analyses by external ratings agency Sustainalytics are used to assess the ESG risks relevant to the individual companies as well as evaluate the active management of ESG risks within the companies.

Sustainalytics sums up the results of its analysis in an ESG risk score ranging from 0 to 100, where:

- a score below 10 indicates negligible risks
- 10 to 19.99 indicates low risks,
- 20 to 29.99 indicates medium risks,
- 30 to 39.99 indicates high risks,
- 40 or more indicates serious risks.

Based on this ESG risk score, the HESPER FUND - Global Solutions aims to achieve at least a medium ESG risk profile (score of under 30).

Individual securities with very serious risks (score of over 50) are only considered for investment in the HESPER FUND - Global Solutions in justified exceptional instances and must be supported by an active engagement process designed to improve the ESG risk profile of the investment.

In addition, ETFs are used on a regular basis as part of the highly flexible, opportunistic investment approach. Investments are made in sustainable ETFs where available and in accordance with the liquidity requirements of the investment strategy. In this context, we define ETFs classed as Article 8 or Article 9 funds under Regulation (EU) 2019/2088 as sustainable ETFs.

In addition, the principal adverse impacts of the investment decisions on sustainability factors from the following thematic groups are taken into account in the subfund: greenhouse gas emissions, biodiversity, water, waste, and social and employee matters.

No sustainable investment objective

This financial product promotes environmental and social characteristics, but does not have sustainable investments as its objective.



Environmental or social characteristics of the financial product

In its bond and equity investments, the HESPER FUND - Global Solutions gives preference to companies that have low exposure in terms of significant ESG risks as well as those that actively manage and thus reduce the ESG risks inevitably associated with their business activities.

Analyses by external ratings agency Sustainalytics are used to assess the ESG risks relevant to the individual companies as well as evaluate the active management of ESG risks within the companies. The ESG risk score calculated by Sustainalytics examines three factors that are crucial to a risk assessment:

- Governance
- Material ESG risks at sector level and the individual countermeasures taken by the company
- Idiosyncratic risks (controversies in which the companies are involved)

The assessment of governance is an important characteristic for judging the financial and ESG risks associated with an investment. In the case of environmental and social characteristics, the analysis focuses on the material risks for the sector. In addition to social factors, the use of resources is always a risk factor in the manufacturing sector. For that reason, the following environmental characteristics are included in the analysis:

- emissions of greenhouse gases (GHG) and GHG intensity,
- protection of natural resources, in particular water,
- containment of soil sealing,
- and the protection of biodiversity.

On account of their activities, service sector companies have lower impacts on the environment; here the focus is on social characteristics such as:

- fair working conditions and a decent wage,
- health and safety in the workplace,
- prevention of corruption,
- prevention of fraud,
- control of product quality.

The subfund therefore focuses on consideration of relevant environmental and social risks, which can vary from company to company. The subfund seeks not only to avoid environmental risks by investing in companies whose environmental risks are low based on their activities but also takes into account companies that use appropriate management policy to limit and reduce the environmental risks associated with their business model.

In addition, ETFs are used on a regular basis as part of the highly flexible, opportunistic investment approach. Investments are made in sustainable ETFs where available and in accordance with the liquidity requirements of the investment strategy. In this context, we define ETFs classed as Article 8 or Article 9 funds under Regulation (EU) 2019/2088 as sustainable ETFs.

This is accompanied by a comprehensive set of exclusions that bar the subfund from investing in the following areas, which are generally viewed as controversial:

- Investments in companies with a core activity in armaments, tobacco, pornography, speculation in basic foodstuffs and/or the mining/distribution of coal are prohibited.
- Furthermore, investments 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 are prohibited.
- In the case of sovereign issuers, investments in countries that have been designated as "Not Free" in the annual analysis carried out by Freedom House (www.freedomhouse.org) are prohibited.

Investment strategy

The primary aim of the subfund's investment policy is to achieve a reasonable increase in value in euro, taking into account the criteria of sustainability, value retention, capital security and liquidity of the subfund assets, as described in more detail in the Sales Prospectus under "Investment objectives and investment strategy" as well as "Investment policy".

The promoted environmental and social characteristics are continuously implemented through a three-stage analysis and decision-making process.



The first step consists of an extensive exclusion procedure aimed at ruling out certain controversial investments from the outset (details of the exclusions used can be found under "Methodologies for environmental or social characteristics"). The subfund is not committed to reducing the investment universe by a specific minimum amount.

The second stage consists of an ESG risk assessment aimed at valuing and reducing the principal adverse sustainability risks associated with an investment. In its investments, the subfund gives preference to companies that have low exposure in terms of significant ESG risks and can therefore be described as non-controversial, or that actively manage and thus reduce the ESG risks inevitably associated with their business activities (details can be found under "Methodologies for environmental or social characteristics").

Individual stocks with severe ESG risks should be monitored through 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.

As part of the investment process, we also check whether the companies in which investments are made employ good governance practices. Appropriate analyses by external ratings agency Sustainalytics are used to assess good governance practices. This includes management structures, employee relations, remuneration of staff and tax compliance.

Investment targets are comprehensively monitored with regard to potential controversies, again on the basis of analysis by Sustainalytics. Investments where incidents with potentially negative impacts on governance can thus be identified.

Furthermore, investments 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 are prohibited.

Proportion of investments

The minimum proportion of investments undertaken in order to achieve the promoted environmental or social characteristics is 51%.

The main aim of the subfund is to contribute to the pursuit of E/S characteristics. Accordingly, the subfund is not currently committed to investing a minimum proportion of its total assets in environmentally sustainable economic activities referred to in Article 3 of the EU Taxonomy. This also concerns information on investments in economic activities classed as enabling and transitional activities referred to in Articles 16 and 10(2), respectively, of the EU Taxonomy.

The minimum proportion of sustainable investments with an environmental objective that is not compliant with the EU Taxonomy is 0%.

The minimum proportion of socially sustainable investments is 0%.

The subfund may make other investments in addition to the investments made in order to achieve the promoted environmental or social characteristics. This includes hedging instruments, investments for diversification purposes (for example commodities and other investment funds), investments for which no data is available, and cash. These other investments are used in particular for diversification of the subfund and liquidity management purposes in order to achieve the investment objectives described in the investment policy.

The subfund may use derivative financial instruments for investment and hedging purposes. Derivatives are not used to achieve the environmental or social characteristics promoted by the financial product.

Sustainability indicators used to measure the achievement of the individual environmental or social characteristics of investments in the case of investments with a focus on environmental or social characteristics are not systematically applied in the case of the other investments. There are no minimum environmental or social safeguards in the case of the other investments.



Monitoring of environmental or social characteristics

The subfund focuses on consideration of relevant environmental and social risks of investments. Exclusions for certain investments are taken into account, while analyses by external ratings agency Sustainalytics are used to assess the ESG risks relevant to the individual companies as well as evaluate the active management of ESG risks within the companies.

The ESG risk score calculated by Sustainalytics is monitored by the portfolio manager responsible for the subfund on a pre-trade basis and evaluated once daily post-trade through specific ESG reporting. Exclusions are monitored on a pre- and post-trade basis by means of an investment compliance system.

For the benefit of clients, a monthly fact sheet is published showing the average ESG risk score of the subfund, as well as a distribution diagram of ESG risk scores for all direct investments in equities and corporate bonds held by the subfund. From the 2022 financial year, information can also be found on a regular basis in the subfund's Annual Report, annual Sustainability Report and annual Voting Report. All documents referred to are available at www.ethenea.com.

Methodologies

The ESG risk ratings from ratings firm Sustainalytics – a subsidiary of Morningstar – expand the decision-making process by means of an in-depth classification of the extent to which a company is exposed through sustainability-factors such as environment, social and governance. The ESG risk score of a company is shown in the context of the entire analysed universe of over 14,000 companies. The rating takes into account a company's individual exposure to material ESG risks and its active management of these risks is incorporated into the final rating. This ensures that valuations of different sectors can be directly compared with one another. As a result, the sustainability of the subfund as a whole is meaningful at the portfolio level. 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 (extensive and clear information on the method used by Sustainalytics is available on the website at www.sustainalytics.com).

Sustainalytics sums up the results of its analysis in an ESG risk score ranging from 0 to 100, where:

- a score below 10 indicates negligible risks
- 10 to 19.99 indicates low risks,
- 20 to 29.99 indicates medium risks,
- 30 to 39.99 indicates high risks,
- 40 or more indicates serious risks.

Based on this ESG risk score, the subfund aims to achieve at least a medium ESG risk profile (score of under 30).

Individual securities with very serious risks (score of over 50) are only considered for investment in the subfund in justified exceptional instances and must be supported by an active engagement process designed to improve the ESG risk profile of the investment.

The exclusions relate to investments in companies or products from companies that violate the UN conventions on cluster munitions, chemical weapons and other banned weapons of mass destruction or finance such companies/products. Other product-related exclusions apply if companies exceed the following turnover thresholds for the production and/or distribution of specific goods: coal (25%), weapons (10%), small arms (10%), adult entertainment (10%), tobacco (5%).

Furthermore, investments 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 are prohibited.

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

In addition, the principal adverse impacts of the investment decisions on sustainability factors from the following thematic groups are taken into account in the subfund: greenhouse gas emissions, biodiversity, water, waste, and social and employee matters.



Data sources and processing

The primary data source is the external ratings firm Sustainalytics. The required data is fed into the internal data collection of ETHENEA Risk & Data Management on a daily basis via an application programming interface (API); the quality is verified in accordance with internal standards and then processed.

The bulk of exclusions and ESG risk scores used is based on data from Sustainalytics.

For sovereign issuer exclusions, the new country ratings from Freedom House (www.freedomhouse.org) are added to the internal data collection manually once a year.

No estimates are used.

Limitations to methodologies and data

To date, smaller companies still provide limited reporting of ESG risks and measures taken in this regard; consequently, the data situation is more difficult here and there is a risk that smaller companies will perform more poorly in the Sustainalytics ESG ratings or that no ESG rating is available.

In practice, however, this does not represent a restriction for the subfund given that investments are mainly made in large-cap stocks.

Due diligence

The ESG risk score is monitored by the portfolio manager responsible for the subfund on a pre-trade basis and evaluated once daily post-trade through specific ESG reporting. Exclusions are monitored on a pre- and post-trade basis by means of an investment compliance system.

Engagement policies

Engagement is not an integral component in achieving the environmental or social objectives of the investment strategy discussed in this document.

Individual securities with very serious risks (score of over 50) are only admitted to the portfolio in justified exceptional instances and must be supported by an active engagement process designed to improve the ESG risk profile of the investment.

Furthermore, engagement plays a role in an extended context of the more extensive sustainability strategy pursued by the HESPER FUND - Global Solutions in order to offer investors a responsible investment solution with competitive, sustainable returns. Further information in this regard can be found at www.ethenea.com, in particular in the Guidelines for Sustainable Investments (ESG) and in the separate Guideline for Exercising Voting Rights.

Disclaimer

This document provides ESG information for investors in this fund and does not constitute marketing material. This information is required by law in order to help you understand the nature of this fund as well as the risks of investing in an ESG context. Please read this document carefully so that you can make an informed decision about whether to invest. Additional information on the fund, the current sales prospectus with annexes and articles of association, as well as the latest annual and semi-annual reports (all in German), may be obtained free of charge during normal business hours from the investment company, the management company, the depositary, the distributor(s) and the paying agent(s).

Further information on the fund is available at www.ethenea.com.

In the event of discrepancies regarding the interpretation of the translation, the original document in German shall prevail.

As of: 01/2023