



ETHENEA

Statement

ETHENEA Independent Investors S.A. -
Principal Adverse Impacts (PAI)

Version 1.0, As of April 2022

Marketing Communication

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Preface

As a future-oriented, active investment management company, we are aware of our corporate responsibility when it comes to environmental, social, and employee issues, as well as to sustainable corporate governance. Sustainability is a key focus for ETHENEA. Not only the range of ESG factors but also the consideration of adverse impacts on sustainability factors are firmly anchored in the respective investment processes of our Portfolio Managers. These are intended to deliver sustainable added-value for the environment, society, and our investors.

Our general aim is to always inform our investors and interested parties about

these aspects in a transparent manner. For this purpose, ETHENEA is currently preparing a sustainability report, as well as a report on the exercise of voting rights. In addition to ESG-specific, pre-contractual product information, this statement regarding the consideration of principal adverse impacts in the investment process is now also available to our investors. The information provided here, as well as further information, can be accessed via our website (www.ethenea.com) at any time.

1. Principal Adverse Impacts

The term 'principal adverse impacts' refers to the consequences of investment decisions that have a negative impact on sustainability factors. Sustainability factors include environmental and social concerns, respect for human rights, sustainable corporate governance, and the fight against corruption. In order to make the principal adverse impacts measurable, indicators from the environmental and social areas, as well as the appropriate state and corporate governance areas, are used.

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

These factors may be adversely impacted by investments, for example, through 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 controversial business areas. In addition to the general controversial business areas, our Portfolio Management team may define additional criteria and controversial business areas to be excluded. These currently include companies that focus on the production and/or distribution of fossil fuels (e.g. coal) and tobacco production.

The following examples illustrate the negative impacts that can arise from

direct or indirect co-financing of these companies and business areas through an investment:

- A violation of human rights is considered to have a clearly detrimental effect on dignified coexistence. Unfortunately, international human rights protection does not have any mandatory control and enforcement mechanisms to enforce human rights. Therefore, ETHENEA wishes to actively promote the observance of human rights with the means at its disposal and based on the available information, and it sanctions any company that exhibits violations thereof. As a result, no investment is made in such a company.
- Significant global economic imbalances, as well as increasing global mobility, facilitate labour exploitation. Due to the economic situation in their home countries, an increasing number of people are forced to work abroad and accept working conditions that fall far short of the applicable legal standards. Exploitative working conditions are

in stark contrast to human dignity.

ETHENEA excludes investments in companies that have a proven track record of exploiting people through exploitative working conditions.

- Violations of environmental protection can lead to the loss of biodiversity and the contamination of water, soil or air. ETHENEA takes the risks of climate change very seriously and, as part of its business activities, assumes responsibility for actively helping to achieve the goals of the Paris Climate Agreement. To this end, companies - in particular from the oil, gas or coal sector - are examined with regard to their climate strategy.

2. Strategies for identifying and weighting principal adverse impacts

The Portfolio Management team follows the principle of ESG integration. This involves systematically taking ESG risk indicators or sustainability factors into account in the investment process. Within this framework, the Portfolio Managers also analyse the main effects of principal adverse impacts on sustainability factors. The Portfolio Managers draw on the external analyses of ESG agencies, the companies' public documents, and notes from direct dialogue with company leaders to identify, measure, and evaluate adverse sustainability impacts. In this way, the principal adverse impacts (e.g. greenhouse gas emissions, water intensity, frequency of occupational accidents, violations of the [UN Global Compact](#), diversity on the Board of Directors) can be comprehensively analysed and considered in investment decisions.

Fundamentally, when assessing the sustainability of investments, different sustainability aspects are weighted depending on their relevance for the

respective business model. For example, the relevance of greenhouse gas emissions is significantly higher in particularly CO₂-intensive sectors than in less CO₂-intensive sectors.

The opportunity to systematically take the principal adverse impacts into account depends to a large extent 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 sufficiently available. 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).

3. Measures to deal with principal adverse impacts

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

1. ESG INTEGRATION:

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

2. EXCLUSION CRITERIA:

Direct investments in companies active in controversial business areas are excluded company-wide.

3. ENGAGEMENT:

ETHENEA understands engagement as the active dialogue with the companies in its portfolios as well as the exercise of their voting rights at general meetings. The aim of the engagement activities is to actively influence the ESG profile of the companies at all times over the investment period and thereby reduce negative impacts on sustainability factors.

4. Summary of the engagement policy

ETHENEA undertakes, within the framework of the possible exercise of voting rights, to exercise special due diligence towards the investors of the funds managed by ETHENEA within the context of fund management. As an investment management company, we are always aware of the duty of care towards our investors. Therefore, the representation of interests and voting rights has a high priority for ETHENEA.

Our aim - taking into account various aspects such as sustainability or corporate strategy - is to exercise our voting rights actively, comprehensively and in the best interests of our investors and in order to implement our principles.

Voting rights are one of the few rights of a shareholder, although are at the same time amongst the strongest. Although voting rights are not always fairly distributed owing to the parallel requirement of accumulating capital, they are, on the other hand, profoundly democratic.

As bond investors, we also influence companies in the context of our sustainability approach. Roadshows for the purpose of a new bond issue are a particularly good opportunity to contact and influence bond issuers.

Sound corporate governance is an essential component in increasing the value of a company. As a shareholder, we consider it necessary to actively participate in the development of a company. After all, responsible corporate governance is not only the key to a sustainable increase in the value of our investments, but is also reflected in a rising share price or stable bond price over the longer term. Therefore, as a means of our engagement, we attend annual general meetings, roadshows or other meetings and seek regular dialogue with company representatives. As soon as company analyses indicate that active engagement is required, we make use of it. Close contact with the companies in the portfolio and regular analysis ensure a continuous focus on both fundamental

and sustainability factors. We play an active role in promoting progress within companies towards profitable and sustainable value creation, while striving to actively reduce negative impacts on sustainability factors.

Further information on our fundamental voting behaviour can also be found in our Proxy [Voting Policy](#).

5. Consideration of international standards and frameworks

ETHENEA is obligated by its fiduciary function as an investment management company to give the interests of investors top priority. In addition to complying with applicable laws and regulatory requirements, our investment approach is based on responsible investing and is guided by leading national and international standards, which serve as a benchmark for our sustainable investment decisions. These include the United Nations Principles for Responsible Investment (PRI). With its commitment to upholding these principles, ETHENEA

has now officially been acting from a sustainability perspective as part of its active portfolio management style since 2017. Our Portfolio Managers actively incorporate environmental, social, and corporate governance aspects, so-called ESG factors, into their investment analysis and decision-making process and in doing so assume responsibility. The principal adverse impacts for us are also derived from these principles.

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Note: The most important technical terms can be found in the glossary at www.ethenea.com/glossary

Information for investors in Switzerland: The country of origin of the collective investment scheme is Luxembourg. The representative in Switzerland is IPConcept (Schweiz) AG, Münsterhof 12, P.O. Box, CH-8022 Zurich. The paying agent in Switzerland is DZ PRIVATBANK (Schweiz) AG, Münsterhof 12, CH-8022 Zurich. The prospectus, the Key Investor Information Document (KIID), and the Articles of Association, as well as the annual and semi-annual reports, can be obtained free of charge from the representative.

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