ETHENEA

Asset Management – Guidelines for Sustainable Investments (ESG)

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ETHENEA Independent Investors S.A.
16, rue Gabriel Lippmann · 5365 Munsbach · Luxembourg
Phone +352 276 921-10 · Fax +352 276 921-1099 · info@ethenea.com · www.ethenea.com

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1 Introduction

Increasingly, ESG (environmental, social, and governance) criteria are being considered alongside economic factors in investment decisions.

The ETHENEA Group (hereinafter "ETHENEA") recognised the importance of an active sustainable investment approach early on. ETHENEA firmly believes that asset management can make an important contribution to conserving the environment, to promoting and safeguarding social progress, and to questioning and insisting on corporate governance. As a company, ETHENEA is doing its part to ensure that progress and value creation will now be closely linked to sustainability

"As a future-oriented, active asset manager, we are well aware of our social responsibility. That is why sustainability is one of the key areas of focus for ETHENEA. Consequently, ESG factors are given careful consideration in investments and generate long-term positive added value for society, investors and the investments."

As a result, on 7 November 2017, ETHENEA committed itself to sustainability in its active asset management process through compliance with the "UN Principles of Responsible Investments" and becoming a signatory thereto. With this commitment, ETHENEA has been following an active portfolio management style with a sustainability focus for more than three years. The "Principles for Responsible Investment" (PRI) were developed by the United Nations in 2006 to integrate ESG principles into investment practice. Then in 2015, when the "UN Sustainable Development Goals (SDGs)" were launched, they helped to set goals for the principles that are intended to shape a sustainable future. Since then, various national and international initiatives have highlighted the scale of the investment opportunities created by these goals.

ETHENEA's Portfolio Management Team actively incorporates environmental, social and governance (ESG) factors into its investment and decision-making process and, in doing so, assumes responsibility.

The "Guidelines for Sustainable Investment defined within the Group are implemented, monitored, and documented by internal standards that apply throughout the Group, particularly in the areas of portfolio management, risk management and compliance. In addition, ETHENEA undertakes to publish useful information and documents from the implementation and application of these ESG standards.

ETHENEA works continuously to develop standards, criteria and processes in order to improve its ESG capabilities, while achieving a positive performance of the assets under management.

ETHENEA operates within the framework of a sustainable investment approach based on the following principles:

- **Thorough analysis**
- **Conscious exclusion**
- **Active selection**
- **Sustainable investment**

The Portfolio Management Team avoids investments that are not in line with its values and standards in terms of sustainability. The dual effect of positive value creation for the investor and society can be achieved by investing in assets that have a positive impact on both target groups.

This guideline sets out the internal procedures, documentation requirements, and escalation and monitoring scenarios.

The aim is to:

- document the group-wide integration of ESG into the investment process
- define engagement and dialogue strategies

2 Definitions and Interpretations

ESG risks	are government or corporate sustainability risks related to environmental, social or governance issues.
Portfolio(s):	are mutual funds
Portfolio Management:	are the teams within the ETHENEA Group that make the investment decisions (purchase and sale) for the individual portfolios of assets managed by ETHENEA.

3 Investment Approach

The investment approach and processes are largely determined by clearly defined criteria. These form binding principles for the selection and investment process. In addition to the product-specific investment objectives and statutory investment limits, ESG criteria in the selection and investment process reflect another important aspect that the Portfolio Management Team takes into account in in analysis, selection, and investment decisions.

Considering ESG criteria and the resulting opportunities does not correspond to negative impacts on returns. Investors benefit from the ESG-compliant investments made by the Portfolio Management Team and participate in the responsibility for society, the environment, and progress.

Within the fund-specific investment approach, investment opportunities are assessed and evaluated according to ESG criteria. The Portfolio Management Team systematically analyses the target investments using a broad range of environmental, social and governance factors. These are based on independent studies, ratings, publications, research, and internal standards. Information about the investment process is outlined and published in the annual sustainability report.

Four fundamental elements are considered in the analysis of investment decisions:

- ESG risk assessment
- Exclusions
- Global standards (UN Global Compact)
- Controversies

3.1 ESG Risk Assessment Process

In general, the risk assessment is based on the classification provided by an external service provider. This ESG risk assessment measures the extent to which the economic value of a company is jeopardised by ESG factors or, in more technical terms, the degree to which a company has not managed its ESG risks. The ESG rating of either a company or a country consists of a quantitative score that can be assigned to a particular risk category.

The ESG risk assessments are integrated into both the investment decision process and the portfolio construction. These ESG risk assessments can be interpreted at an absolute level per issuer or on a relative basis compared to the benchmark or the investment universe. Depending on the fund, different approaches can be followed.

3.2 Exclusions

ETHENEA has defined a negative list that, according to the "exclusion principle", sets out criteria that fundamentally prohibit an investment.

ETHENEA excludes investments in companies or products issued by companies that violate the UN Convention on Cluster Munitions, chemical weapons, and other outlawed weapons of mass destruction or finance such companies/products. No deviations from this principle are permitted.

In addition, ETHENEA excludes investments in companies (and their affiliates) that generate more than 50% of their revenues from military contracts, weapon-related products and/or services.

Furthermore, when implementing the product-specific investment policies of the investment funds managed by ETHENEA, the Portfolio Management Team may also impose additional restrictions, as outlined below:

- **Energy and environment**
    - Thermal coal
- **Value-based sectors**
    - Adult entertainment
- **Tobacco**

- **Defence and military involvement**
  - Controversial weapons
  - Military contracts
  - Small arms

3.3 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.

In the context of ESG integration, ETHENEA also analyses 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 CO_2-intensive sectors than in less CO_2-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).

3.4 Global Standards (UN Global Compact)

ETHENEA takes compliance with global standards such as the UN Global Compact seriously. The management of any infringements is critically reviewed and documented in the investment process. If there is any doubt, in the case of sustainable products the ESG Advisory Board can also be consulted. The ESG Advisory Board can provide recommendations for exclusion or divestment, which can be implemented as outlined in this guideline.

The 10 principles of the UN Global Compact are:

01 Businesses should support and respect the protection of internationally proclaimed human rights.

02 Businesses should make sure that they are not complicit in human rights abuses.

03 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

04 Businesses should uphold the elimination of all forms of forced and compulsory labour.

05 Businesses should uphold the effective abolition of child labour.

06 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

07 Businesses should support a precautionary approach to environmental challenges.

08 Businesses should undertake initiatives to promote greater environmental responsibility.

09 Businesses should encourage the development and diffusion of environmentally friendly technologies.

10 Businesses should work against corruption in all its forms, including extortion and bribery.

3.5 Controversies

ETHENEA regularly reviews the investment universe for potential controversies. Classification is initially carried out by an external data supplier. For sustainable products, if the highest level is reached, the ESG Committee must be consulted to determine whether, from an ESG perspective, a company should continue to be included in the portfolio. If the investment is excluded, this will be documented and executed in accordance with this guideline.

4 ESG Engagement

ETHENEA aims to maintain an ongoing dialogue (direct or indirect) with the Management, right up to the Supervisory Board of the relevant companies.

In the interest of ensuring that ESG standards and opportunities are implemented, ETHENEA is committed to maintaining an active dialogue with companies, particularly in cases where ETHENEA is able to exert a certain influence on the issuer due to its current positioning or any investment decision dependent on it.

Our commitment should be seen in context and in relation to the size and age of the company, the available resources, as well as its importance within the fund, in order to take a pragmatic and holistic approach towards further development within the scope of our opportunities with companies.

The engagement process is based on three different pillars

- Direct dialogue
- Formal engagement process

- Community engagement

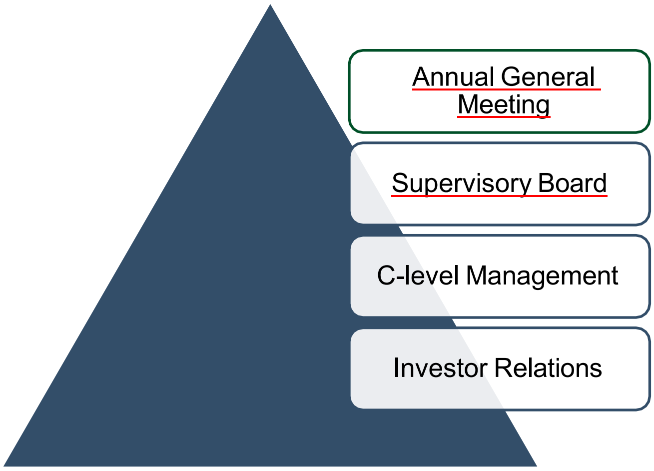
4.1 Direct Dialogue

Direct dialogue can take place with companies, regardless of whether they represent a sustainable or a conventional product. The Portfolio Management Team uses these discussions to understand the companies' business policies and strategies, as well as their sustainability principles in order to weigh them against ETHENEA's corporate principles. This direct dialogue can be documented in detail.

4.2 Formal Engagement Process

As part of the formal engagement process, Portfolio Managers of sustainable products should make contact with the companies. These discussions should focus on the companies' ESG risk profiles. Therefore, the Management of selected companies is contacted directly and options to better integrate environmental, social or governance aspects within the particular company are discussed.

The following escalation levels should be considered:



Any issues can be discussed first with the Investor Relations department then with Management. After this, non-compliance with agreed, documented targets or milestones can be reported to the Supervisory Board.

In addition, the right to speak and vote at the Annual General Meeting can be exercised in the event that further escalation is necessary.

4.3 Collaborative Engagement

ETHENEA defines collaborative engagement as supporting initiatives by several investors or other capital contributors, with the aim of improving environmental, social or other factors. This engagement may involve public and private companies, countries or regions.

Collaborative engagement may be initiated by the ESG Task Force or by the ESG Committee.

The aim of the collaborative engagement is a constructive exchange with corporate leaders to improve the individual ESG profile in cases where ETHENEA has little direct influence through the aforementioned approaches.

For example, ETHENEA has joined the Carbon Disclosure Project (CDP) initiative. This international non-profit organisation was founded in London in 2000 with the aim of collecting high-quality climate-related corporate data and motivating investors, companies and governments to take action against climate change.

Once a year, the CDP asks companies to submit data and information about the opportunities and risks of climate change, CO_2 emissions, and relevant strategies and measures. The standardised questionnaire is sent to the largest listed companies worldwide. The annual CDP reports are available free-of-charge to all interested parties on the organisation's website. Investors who support the CDP also have access to non-public corporate responses. In total, more than 800 institutional investors support the initiative.

ETHENEA uses this data for further analysis and targeting within the dialogue strategy.

5 ESG Goals and Consistency

ETHENEA is committed to focusing on achieving a ***dual effect*** as part of its active portfolio management. In addition to the goal of generating an appropriate increase in value for the investor, the investments should also take advantage of and bring about comprehensive opportunities and prospects in the context of environmental and social considerations. In order to provide comprehensive information to its clients, ETHENEA aims for the highest level of transparency.

5.1 Transparency

In accordance with the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the sustainability-related disclosure requirements in the financial sector, ETHENEA is committed to transparency regarding:

- Strategies for managing sustainability risks

- Adverse sustainability impacts at the company level
- Remuneration policies in connection with addressing sustainability risks
- The consideration of sustainability risks
- Adverse sustainability impacts at the portfolio level
- The promotion of environmental or social aspects in pre-contractual information
- Pre-contractual information in the case of sustainable investments
- The promotion of environmental aspects of sustainable investments on websites
- The promotion of environmental aspects of sustainable investments in regularly published reports

ETHENEA takes into account adverse effects of investment decisions on sustainability factors (so-called Principle Adverse Indicators) if and to the extent that the relevant data that must be used to determine and weight the adverse sustainability effects is currently available in the market to a sufficient extent. Reference is made to the respective descriptions of the investment strategies in the sales documents. Since January 1, 2023, ETHENEA has provided information at fund and company level on the form in which the main adverse impacts of investment decisions on sustainability factors are considered.

5.2 Sustainable Strategies

In defining sustainable strategies, ETHENEA uses the approach of the BVI (the German Investment Funds Association) and assigns the strategies into one of the following categories – basic, ESG, and impact:

Basic	ESG	Impact
• ESG opportunities / risks taken into account according to the criteria of "ESG integration" • Integration approach disclosed	• Dedicated ESG strategy • Minimum exclusions	• Impact-related investments • No serious violations of the UN Global Compact

In the basic category, ESG is systematically integrated into the investment process and implemented within the context of engagement, for example by exercising voting rights, actively exercising shareholder or creditor rights, and/or through dialogue with issuers.

Funds and mandates are assigned to the ESG category if a dedicated ESG strategy is specified and minimum exclusions are complied with. The minimum exclusions for the ESG classification, and therefore for Article 8 under Regulation (EU) 2019/2088 (SFDR), include:

- Minimum exclusions for companies:
  - Manufacture and/or distribution of military equipment > 10% of turnover
  - Zero tolerance for:
    - Cluster munitions (Oslo Convention)
    - Anti-personnel mines (Ottawa Treaty)
    - B and C weapons according to the respective UN Conventions
  - Tobacco production > 5% of turnover
  - Production and/or distribution of coal > 30% of turnover
  - Serious infringements against the UN Global Compact (without positive perspectives)
- Minimum exclusions for sovereign issuers:
  - Countries designated as 'Not Free' in the annual analysis carried out by Freedom House

Impact-related funds require, in addition to the exclusions listed in the preceding categories, a high minimum percentage of sustainable investments.

For the public mutual funds, the allocation that can be found in the current fund prospectus applies first.

6 Divestment

The Portfolio Management Team will actively divest itself of (sell) an investment if the analyses and evaluations of publicly available information and documents, or those obtained as part of the active dialogue, reveal a breach of its ESG standards. In doubtful cases or in the interest of clarifying disputed analysis results, the Portfolio Management Team can involve the ESG Committee to initiate a further evaluation and decision. If necessary, an external party or data provider may be consulted to provide a comprehensive analysis and evaluation. If non-compliance with ESG criteria is confirmed, the Portfolio Management Team must re-establish compliance with the regulations within 30 trading days and carry out a divestment. This is monitored by both the Investment Compliance and Risk Management Teams and reported to the ESG Committee.

7 ESG Integration in Risk Management

Sustainability risks are environmental, social or corporate governance events or conditions, the occurrence of which may have a real or potentially negative impact on the asset, financial and earnings position, as well as on the reputation, of a company within the ETHENEA Group. For companies that manage portfolios on behalf of third parties, sustainability risks also relate to the managed portfolios (funds).

ETHENEA is well aware of the importance of managing sustainability risks. As a result, ESG-related risks are already taken into account in the analysis of potential transactions as part of managing the portfolio and are monitored after the transaction has taken place. They are also integrated accordingly in the Risk Management Department. ESG risks are identified, assessed, monitored, managed and communicated.

7.1 Sustainability Risks

No separate "sustainability risks" risk category has been defined, as sustainability risks can have a significant impact on all known risk categories. Instead, ETHENEA regards them as a factor that has a significant impact on known risk categories (credit risk, market price risk, reputational risk, etc.).

Sustainability risks have the potential to negatively impact all business areas and risk categories. Sustainability risks can become relevant in the short term as well as in the medium to long term and create a need for action.

7.2 Risk Strategy and Monitoring

The ETHENEA Group has adapted its existing risk management strategy to address sustainability risks. ETHENEA is committed to implementing the UNPRI sustainability standards. These are incorporated into the Group's ESG standards and principles. Compliance with the ESG standards and principles as well, as the risk strategy of the ETHENEA Group, is continuously reviewed. This includes checking whether risk categories are affected by sustainability risks in a product- and company-specific manner, and if so, which ones, and whether these are sufficiently taken into account when determining risk measurement procedures.

Based on this, the ETHENEA Group will review the methods and procedures for identifying, assessing, managing, monitoring, and reporting sustainability risks at regular intervals. The results will be communicated transparently within the organisational structure of the ETHENEA Group.

Based on all available information, the Risk Management Department will continuously monitor whether and how processes for identifying, measuring, managing, and reporting sustainability risks can be either systematically or selectively improved.

ETHENEA will also take sustainability risks into account in the company's regular risk inventory and check whether the existing company-specific stress tests reflect sustainability risks in a suitable manner or whether new or modified company-specific stress tests need to be created for this purpose.

Specific ESG ratings can be used to determine the sustainability aspects of financial investments and, if necessary, to obtain additional information on sustainability risks. In light of the aforementioned points, ETHENEA will not simply adopt such ESG ratings for the purpose of assessing the sustainability of a financial investment, but will carry out a plausibility check in accordance with the principle of proportionality.

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