eurinvest partners

Principal Adverse Sustainability Impact Statement

Eurinvest Partners S.A.

(hereafter "EIP")

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1. <u>Introduction</u>

1.1. Purpose of the Policy

The aim of the Principal Adverse Impact (hereafter "PAI") Policy is to address Article 4 of the Sustainable Finance Disclosure Regulation ("SFDR" level 1, or the 'Regulation'), under the EU Regulation 2019/2088 and the delegated Regulation which describes the Regulatory Technical Standards (RTS) that must be applied. Article 4 of SFDR refers to the consideration of PAI on sustainability factors at entity level. Financial Market Participants ("FMP") shall publish policy(ies) on their website stating how they consider the principal adverse impacts of investment decisions on sustainability factors.

This Policy is designed with a view to comply with the requirements set out in:

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "SFDR");

- Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088;

- Commission Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

This document specifically addresses the key Principal Adverse Indicators ('PAI') required by the Regulation with the aim to describe, identify and prioritize the principal adverse impacts of the Company's investments decision-making.

More information related to the SFDR, and EIP's approach to ESG (Environmental, Social, Governance factors) and Responsible Investment in general, can be found on EIP's website, including our Sustainability Risk Policy, our Remuneration Policy in relation to the integration of sustainability risks, and our Responsible Investment Policy.

1.2. Regulatory background and Scope

The SFDR entered into force on 10 March 2021. The Regulation requires fund managers like EIP as an authorized Financial Market Participant to provide information to investors with regards to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment.

EIP shall publish and maintain on its website a statement on due diligence policies with respect to PAI of investment decisions on sustainability factors, taking due account of their size, the nature and scale of their activities and the types of financial products they make available.

The European Supervisory Authorities (ESAs) iterated that the principal adverse sustainability impact statements at EIP level set out in the RTS should apply from 1 January 2023 all FMP shall publish Principal Adverse Sustainability Impact Statements on their website by the end of June 2023[1].

The way EIP can practically consider the PAIs in its financial products shall depend on various aspects such as asset class, type of investment instruments and investment objectives, but also on the investment set-up of EIP. EIP currently has two distinct models of investing:

1. Via funds of funds: these are financial products for which our internal fund selection and portfolio management teams analyze and select Exchange Traded Funds (ETFs) and tiers-funds. These tiers-funds are collective investment vehicles that EIP's investment team selects based on various aspects, such as investment strategy, asset class, financial performance, costs, and responsible investment approach and capabilities.
2. Via actively managed funds: these are financial products that are managed internally, by EIP's investment team.

EIP can be expected to consider PAIs in their investment decision process for the management of funds taking into account sustainability factors in their investment strategy. This includes embedding the PAIs, where possible and feasible, in their exclusion, engagement and voting decisions.

1.3. Governance

The present statement is the consolidated principal adverse impacts statement of EIP. It is based on the most updated regulations and will be reviewed annually.

1.4. Definitions

The key definitions in consideration of the general ESG Framework can be provided as follows:

[1] The first statement should be published by 30 June 2023 (reference period.

Controversial Weapons: Controversial weapons include biological, chemical, and nuclear weapons, cluster weapons and munitions, personal landmines and antipersonnel mines.

Controversial behavior: behavior that violates the United Nations Global Compact Principles covering human rights, labor rights, environment and corruption & bribery considerations. EIP acts in accordance with the UN Global Compact to assess the behavior of investee companies.

ESG: "**E**" stands for ***Environmental*** considerations which refer to climate change mitigation and adaptation, as well as the environment more broadly and the related risks. Environmental risks include climate change, natural resource utilization, pollution and waste, the use of clean technology and energy efficiency, consideration of ESG impact on investment decisions and workforce standards and protections.

"**S**" stands for ***Social*** considerations which refer to issues of inequality, inclusiveness, labour relations, investment in human capital and communities. Social also includes civil and human rights, diversity and equitable opportunities, access to capital and education, global health and medical technologies, affordable housing, Government and community relations as well as labour management relations.

"**G**" stands for ***Governance*** of public and private institutions, including management structures, employee relations and executive remuneration. As such, a good Governance plays a fundamental role in ensuring the inclusion of the ***Social*** and ***Environmental*** considerations in the decision-making process. Governance also includes Board composition, accountability and executive compensation, business ethic and compliance, shareholder rights and stakeholder dialogue, cyber security and internal control.

ESG Factors: The EBA (European Banking Authority) defines this concept as factors with environmental, social or governance characteristics that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individual.

Investment Advice: Means the provision of personal recommendations to a client, either upon its request or at the initiative of EIP, in respect of one or more transactions relating to financial instruments, as defined in point (4) of Article 4(1) of Directive 2014/65/EU.

Serious violation: means countries that are in serious violation of ESG, particularly with regard to political stability or where the governance structure is deemed as unsustainable. EIP excludes all investments issues or listed in countries that are considered controversial and deemed as high-risk jurisdictions by the United Nations Security Council.

SFDR: Sustainable Finance Disclosure Regulation EU 2019/2088 from 27th November 2019. The SFDR aims to "strengthen investor protection for end-investors by reducing information asymmetries and improving disclosure regarding sustainability related matters" by creating various categories ("Articles") for undertakings for collective investment. The Regulation establishes harmonized rules for financial market participants and financial advisers relating to transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes as well as the provision sustainability information regarding financial products.

Sustainable Investment: means a direct or indirect investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Sustainability Factors: means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Sustainability Risk: Means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments conducted by EIP.

2. Description of Principal Adverse Sustainability Impacts

PAI consist of a list of sustainability factors that EIP needs to take into account for its investment policies and decisions. Those indicators relate to ESG topics and PAI assessment that must be disclosed at the entity-level and established fund-level disclosures on a comply or explain basis.

EIP will take necessary preparations to gather, monitor and report the principal adverse sustainability impact indicators listed below. EIP will provide an updated version of this statement by no later than 30 June 2023, with the indicators reported over reporting year 2022. From 2024 onwards, EIP will provide historical comparisons with previous reference periods. It will also seek to detail actions taken and actions planned for the future, as well as targets set for each PAI indicator to avoid or reduce the PAI identified where possible.

Indicators applicable to investments in investee companies		
Adverse sustainability indicator		Metric
Climate and other environment-related indicators		
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions, Scope 2 GHG emissions, Total GHG emissions. Scope 3 GHG emissions will be included as of 2023, and first reported on in 2024. Multiple greenhouse gases are considered and expressed in terms of tons of

		CO2. The calculations are based on the size of the investment of EIP in the target company.
	2. Carbon footprint	This relates to the GHG emissions of investee companies (relative to the investment by EIP), divided by the value of all EIP investments.
	3. GHG intensity of investee companies	This is a ratio of the GHG emissions of companies divided by their revenues, multiplied by the percentage of these investments relative to all EIP investments.
	4. Exposure to companies active in fossil fuel sector	Share of investments in companies active in the fossil fuel sector.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and nonrenewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage.
	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.
Biodiversity	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.
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.
Waste	9. Hazardous waste ratio	Tons of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average.
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 Organization 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.

	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.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies.
	13. Board gender diversity	Average ratio of female to male board members in investee companies.
	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.

3. Description of policies to identify and prioritize principal adverse impacts

Subject to data availability, the Risk Management team monitor the selected PAI indicators for all assets present in the EIP actively managed funds on an ongoing basis using an internally developed monitoring system. Issuers identified as outliers on specific indicators, or which exhibit high adverse impact across several indicators, are identified based on data acquired from third party providers and/or internal analysis. These issuers are subject to further analysis by the Risk Management team, which will escalate relevant cases to the Investment Committee.

For the funds of funds, before being included into the investment universe of EIP, a due diligence process is performed in order to review the capabilities, policies and approach of the tiers-funds managers in relation to responsible investment. And a review of periodic reporting of tiers-funds is also performed if added to EIP investment universe.

Tiers-funds managers are expected to consider PAIs in a manner that is in line with the specific nature and investment objectives of the financial product, whereby there should be an explicit and explainable relationship between the choice for methods (such as exclusion, engagement, voting) and the mitigation that needs to be achieved.

4. Description of actions to address principal adverse sustainability impacts

The Risk Management team of EIP maintains the PAI monitoring system and identifies cases for analysis and potential action at entity level. Once these have been analyzed by the Risk Management team, they are – where relevant – referred to the Investment Committee. The Investment Committee then decides on the concrete actions to be taken in each case.

5. Methodologies and data used to assess each principal adverse impact

EIP shall conduct a pre-due diligence screening with the aim to identify and consequently avoid any investment which is currently, or is likely to be generating in the future a significant share of its revenue from harmful activities/products. This pre-due diligence is performed via the method detailed in our "Responsibility Investment Policy" under the section 2, "Restriction criteria". Through this exercise, EIP aims to filter out potential investments that are likely to have significant adverse impacts on sustainability factors.

PAI are monitored by the Risk Management team of EIP and by using the data of a data provider. Companies presenting the worst PAI performance will be analyzed by the Risk Management team, who will decide on the appropriate action to be taken. Cases may also be triggered by internal analysis, based on information/data from other sources. The range of possible actions consist of the following:

- Exclusion: a target company is deemed not eligible for investments across our managed portfolios, and is added to our exclusion list[2].
- No action: The PAI level of a target company is deemed acceptable or judged not to reflect the actual ongoing performance of the target company, and no further action is needed at this point. The target company will continue to be assessed on an ongoing basis.

6. Engagement policies

EIP fully recognize the role it has as an investor and its ability to use invested capital not only to generate financial returns, but to also create beneficial change. On behalf of its clients, EIP undertakes a range of engagement activities with target companies in order to affect and influence these to improve their ESG-related practices, including promoting a long-term approach to decision-making. The active ownership tools of EIP include voting, attending annual general meetings, contributing to the development of industry ESG standards, direct engagement with companies and the filing of shareholder resolutions.

EIP also expects the tiers-funds managers present in funds of funds to structurally engage with investee companies in relation to sustainability aspects that may be material to the financial value of the investments, as well as to identified principal adverse impacts. EIP shall also expect them to periodically report on its engagement activities and results.

7. References to international standards

The EIP Responsible Investment Policy is looking to incorporate or align with several recognized global standards for responsible business operations and investment practices which include, but are not limited to, the Principles for Responsible Investment and United Nations Global Compact.

[2] Please refer to the Eurinvest Partners S.A. Responsible Investment Policy, paragraph 3.1 'Exclusions'.

8. Disclosure of Sustainability Risk Policy

EIP has posted its Principal Adverse Sustainability Impact Statement on its website, www.eurinvestpartners.com, and mail it to customers upon request.

9. Updates and Senior Management Approval

The Board of Directors of EIP is responsible for the implementation and approval of the ESG Policy. It will review the policy at least once a year and update it as necessary to reflect changes in actual circumstances and practices.