

I-AM Principle Adverse Impact Statement

April 2023



Statement on Art. 3 and 4 Regulation (EU) 2019/2088
of the European Parliament and of the Council of 27 November 2019
on sustainability-related disclosure in the financial services sector

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Introduction

This statement is based on the requirements of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosure requirements in the financial services sector (SFDR), which specifically relate to the integration of sustainability risks and applies to the sustainability product range of Impact Asset Management GmbH (hereinafter referred to as I-AM) consisting of single funds and portfolio funds. It explains, how sustainability risks are assessed and integrated into the respective investment process of the two product categories. Furthermore, the approach and the mechanisms for monitoring the integration approach are presented.

For I-AM, sustainability means responsible corporate action for long-term economic success in harmony with the environment and society. Sustainability is a central component of the business policy. In the sustainable funds managed, I-AM pays attention - in line with the United Nations' definition of sustainability - to a balanced investment that allows the needs of today's generation to be met without restricting those of the future.

More details on I-AM's ESG investment process can be found on I-AM's website at www.impact-am.eu/en/asset-management/sustainability/.

Description of the principle adverse impacts on sustainability

Impact Asset Management is committed to making sustainability a focus of its investment processes. Therefore, the most important adverse impacts, the so-called Principles Adverse Impacts (PAIs), are considered within the investment decision on sustainability factors. This is based on the belief that sustainability risks are investment risks and that taking them into account can enable investors to achieve better performance in the long term.

Sustainability risks are environmental, social or governance events or conditions, the occurrence of which may have an actual or potential negative impact on the portfolio under management as well as on the reputation of an invested company.

I-AM seeks to manage the risk associated with potential adverse sustainability impacts of its investments in a variety of ways, including screening criteria, minimum exclusions, monitoring of norm violations, or use of minimum ESG criteria. In addition, I-AM monitors and evaluates a number of PAI indicators, which are defined in more detail below. However, they are only some examples of sustainability-related risk factors that do not alone determine the potential risk of an investment.

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Currently monitored and evaluated Principle Adverse Impact Indicators (PAI indicators):

Companies Climate & Environment	Greenhouse gas (GHG) emissions	GHG emissions
		Carbon footprint
		GHG intensity of investee companies
		Share of companies active in the fossil fuel sector
		Energy consumption and production from non-renewables
		Energy consumption per high impact climate sector
		Investing in companies without carbon emission reduction initiatives
	Biodiversity	Activities negatively affecting biodiversity sensitive areas
	Water	Water emissions
	Waste	Hazardous waste

Companies Social	Social & Employment	Violations of the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises
		Missing policies and compliance measures with regard to monitor compliance with the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises
		Gender pay gap
		Board gender diversity
		Share of investments involved in controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons)
		Missing human right policy

Sovereigns	Environment	GHG intensity
	Social	Number of countries subject to social violations of international treaties and conventions and the principles of the United Nations

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Description of actions to identify and prioritize key adverse sustainability impacts

Subject to data availability, I-AM's portfolio management team monitors the selected PAI indicators of issuers and target funds on an ongoing basis, incorporating external data. Invested issuers that are outliers on certain indicators or that have high negative impacts on multiple indicators are identified and analysed using the ESG database.

Dialog strategies

I-AM sees itself as an impact investor and wants to influence the improvement of sustainability at companies / products. Active participation instruments for single securities therefore include voting, participation in annual general meetings and involvement in the development of ESG industry standards. Voting rights are exercised in cooperation with an external service provider, who votes on the basis of I-AM's ESG guidelines at annual general meetings. Efforts are made to attend and vote at as many AGMs as practically possible. Standards-based and thematic engagements are also conducted in cooperation with an external service provider or in collaboration with other asset managers and asset owners. The cooperation takes place within the framework of the industry initiative "United Nations Principles for Responsible Investment" (PRI). Direct communication with companies is intended to encourage them to comply with ESG-relevant issues.

With regard to target funds, I-AM can actively enter into dialog with their managers in order to obtain statements in the case of outliers or significant violations or changes to the exclusion criteria defined for target funds as part of the I-AM ESG investment process and to bring about improvements in the target funds used or their asset managers. In the context of the management of portfolio funds, therefore, only an indirect influence on companies / issuers is possible via the allocated target funds.

References to international standards

As part of the investment process, those issuers / products are to be filtered out which, among other things, operate in ethically or morally questionable sectors, violate global norms or are involved in serious controversies.

The consideration of PAIs or the investment processes are therefore based on relevant international conventions and standards, such as among others:

- United Nations Global Compact
- International Labour Organization

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Sustainability approach to investment decisions

The framework for responsible investing at I-AM also implements full ESG integration, short for *Environmental, Social and Governance*.

Single Funds

Using a best-in-class approach, positive criteria, negative criteria and, where possible, dialog strategies with companies are taken into account. The principle of sustainability is integrated into the entire investment process and aims overall at the long-term stable basis of the company's operations.

The positive criteria are based on the ESG criteria and are incorporated into an ESG rating on the basis of various subcategories. For example, carbon emissions, resource conservation, employee management, product safety and corporate ethics are taken into account.

The negative criteria are intended to filter out those companies that operate in ethically or morally questionable industries (including controversial weapons, coal, shale gas, tobacco and alcohol), violate global standards (UN Global Compact, core labor standards of the International Labor Organization) or are involved in serious controversies. For sovereigns, certain minimum standards and ratification of international treaties are required (including the Nuclear Non-Proliferation Treaty, climate treaty, labor protection and human rights).

Within the full ESG integration in the investment process, I-AM relies on company dialogues through participation in engagement collaborations or via the active exercise of voting rights.

Portfolio Funds

In terms of portfolio funds, positive and negative criteria are also taken into account in the ESG exposure and, where appropriate, dialog strategies are pursued with the asset managers of the target funds used.

The positive criteria are based on the one hand on legal requirements and on the other hand on E (environmental), S (social) and G (governance) criteria.

The negative criteria are intended to exclude those target funds whose assets include a corresponding portion in ethically or morally questionable industries (including controversial weapons, nuclear weapons, coal, shale gas, tobacco), violate global norms (UN Global Compact, ILO core labor standards) or are involved in serious controversies.

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Investment process

The three sustainability factors environment ("E" for environment), society ("S" for social) and responsible corporate governance ("G" for governance) form the basis for every investment decision. The following criteria are subject to ongoing monitoring and may be supplemented or adjusted based on new findings and developments in the market.

Single Funds

Sustainable analysis is integrated into fundamental financial company analysis at various selection stages:

In the first step, the entire investment universe is pre-selected. This selection is independent of asset classes and refers only to issuers. The ESG selection consists of negative criteria such as industry activity, global standards and controversies as well as positive criteria such as ESG minimum ratings. Companies that do not meet the specified criteria within this selection step are eliminated from the investable universe, with this step resulting in a significant reduction of the original investment universe.

Negative criteria for companies include, but are not limited to, controversial weapons, coal, shale gas, tobacco, and alcohol. Negative criteria for sovereigns as issuers of government bonds include ratification of international treaties (including the Nuclear Non-Proliferation Treaty, climate treaties, labor protection and human rights).

The remaining issuers are further reduced by means of a qualitative analysis. This step is also independent of asset classes and relates only to issuers. In addition to a classic fundamental company analysis, various aspects of sustainability are taken into account. Here, a detailed consideration of ESG criteria takes place, as well as a review of industry activity, compliance with global standards and relevant controversies.

Via the best-in-class approach, the companies and governments with the higher ESG standards within an industry or region are selected. Therefore, when compiling the portfolio, all criteria are assessed qualitatively and optimized together with risk-return considerations as part of the portfolio construction process.

Portfolio Funds

As part of the ESG analysis of target funds, the entire investment universe is pre-selected based on the different asset classes. The ESG selection is based on positive and negative criteria.

Positive criteria include legal requirements (e.g. classification of target funds according to the SFDR, consideration of PAI, etc.) as well as ESG data (e.g. ESG ratings). In the area of negative criteria, those target funds are filtered out whose assets include a corresponding portion in ethically or morally questionable industries (including controversial weapons, nuclear weapons, coal, shale gas, tobacco), violate global norms (UN Global Compact, ILO core labor standards) or are involved in serious controversies. Target funds that do not meet the specified criteria are excluded from the investable ESG universe, but may be included at any time if improvements are made based on ongoing monitoring of the investment universe.

The remaining target funds are further reduced by means of a qualitative and quantitative analysis. Portfolio construction is based on strategic and tactical allocation, diversified by risk and return, ESG criteria and taking into account weightings and liquidity.