

# I-AM GreenStars Funds Investment Process

April 2023



Sustainable investing offers many new investment opportunities from which the environment and investors can benefit

# I-AM GreenStars Funds Investment Process

## Impact Asset Management

Impact Asset Management GmbH (I-AM) is one of the leading bank-independent asset managers in the German speaking area specializing in the selection, analysis and management of ESG and impact strategies. Our investment policy aims to contribute to the achievement of the UN Sustainable Development Goals and to generate social, environmental and financial returns as a "triple bottom line" asset manager. The goal of our products is sustainable asset growth with the greatest possible risk diversification and security.

All products are systematically controlled by an internal risk management system, customer funds have been managed under the premise of sustainability since the founding year, and total assets under management amount to EUR 3.5 billion (as of 31.03.2023).

The parent company, C-Quadrat Investment Group, was founded in 1991. With several subsidiaries, it is now active in 21 countries, managing approximately EUR 8 billion in assets (as of 31.03.2023).

EXPERIENCE IN THE ASSET MANAGEMENT INDUSTRY FOR <b>32 YEARS</b> WITH A DEEP UNDERSTANDING OF INVESTOR NEEDS	FOLLOWING ITS GRADUAL INTERNATIONAL EXPANSION, CQ IS NOW ACTIVE IN <b>21</b> DIFFERENT COUNTRIES	<b>8 BILLION</b> EURO ASSETS UNDER MANAGEMENT
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# I-AM GreenStars Funds Investment Process

## Sustainability at I-AM

For Impact Asset Management GmbH, sustainability means the investment of the assets we manage on a long-term basis. In doing so, we ensure that our sustainable funds - in line with the United Nations' definition of sustainability - are a balanced investment that allows us to meet the needs of today's generation without restricting those of future generations.

These objectives have been pursued since the founding year of the former Absolute Portfolio Management GmbH, when our first microfinance fund, the DUAL RETURN FUND - Vision Microfinance, was launched in 2006. This fund grants loans to microfinance institutions (MFIs), which in turn grant micro credits to micro entrepreneurs. ESG-compliant fund of funds and single securities funds were launched from 2013 onwards, and today around EUR 1,33 billion (as of 31/03/2023) are already being managed according to sustainable criteria.

Cooperations complement our investment processes and promote the exchange of knowledge at an international level. Impact Asset Management GmbH is a signatory of the UN PRI, a member of the Forum für Nachhaltige Geldanlagen (FNG) and takes the sustainability development goals of the United Nations into account at the level of individual products. It also complies with the guidelines of the UN Global Compact and the core labour standards of the ILO.

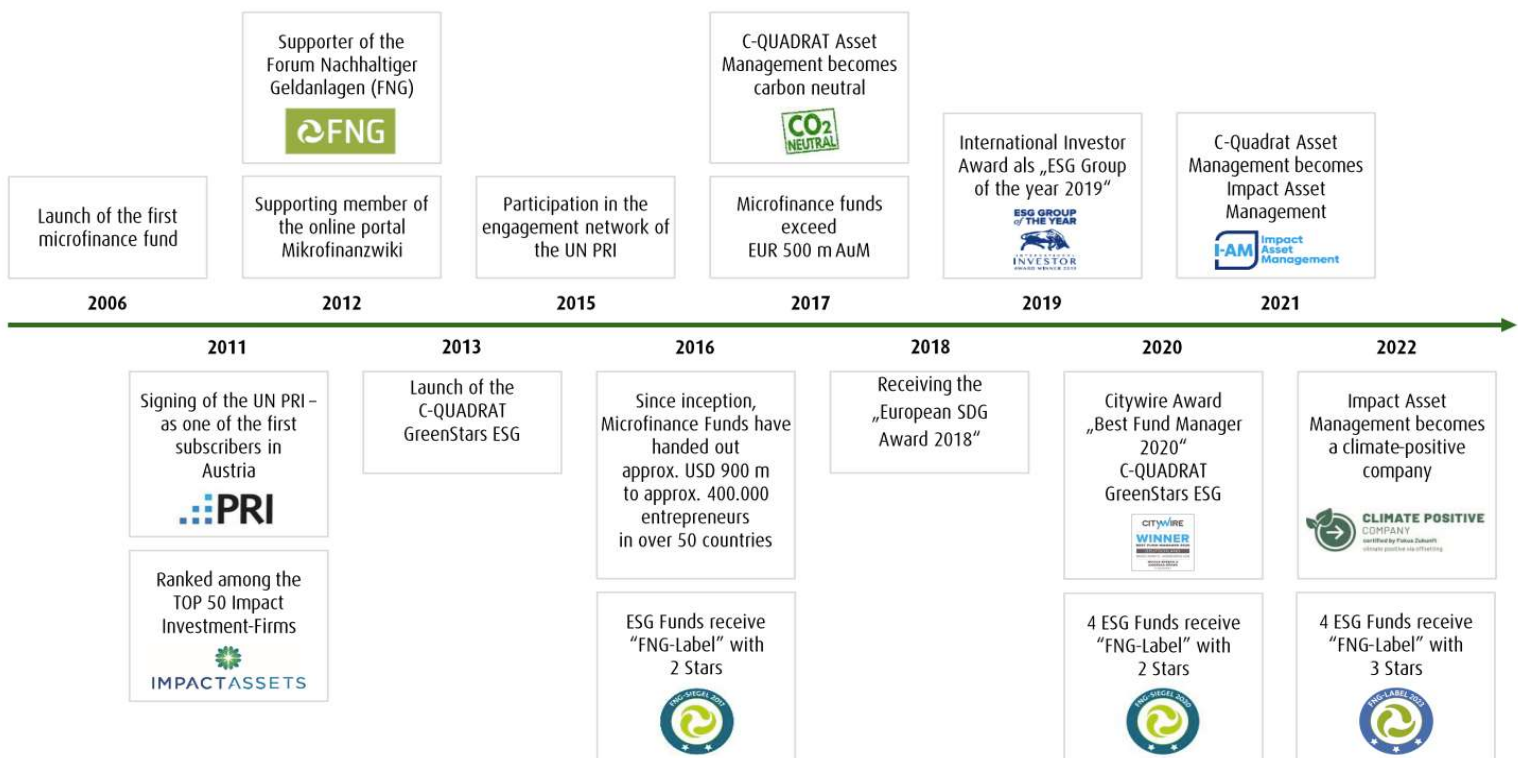


Figure 1: IAM Sustainability Milestones

*Sustainability is not just a buzz word for us, but has been deeply rooted in our actions for many years.*

# I-AM GreenStars Funds Investment Process

## I-AM Sustainable Investment Team

Impact Asset Management employs 30 people. The ESG product family is managed by the portfolio managers Andreas Böger and Nicole Sperch, supported by the CIO Günther Kastner, the Managing Director Daniel Feix as well as 3 additional employees in the area of quantitative research and development.

**Günther KASTNER**



**Managing Partner**

 27 years

 2006

**Daniel FEIX**



**Managing Director**

 21 years

 2002

**Andreas BÖGER**



**Head of Sustainable Investing**

 23 years

 2007

**Nicole SPERCH**



**Senior Fund Manager**

 16 years

 2007

**Maria SPANNER**



**Senior Fund Manager**

 17 years

 2020

**Alexander REICHEL**



**Fund Manager**

 7 years

 2021

 Industry experience

 I-AM entry

Figure 2: Sustainable Investment Team

# I-AM GreenStars Funds Investment Process

## Our investment principles of the I-AM GreenStars Funds

Our I-AM GreenStars Funds consist of UCITS-compliant single securities funds and institutional mandates, which are managed according to standardised investment principles. These can be summed up using the terms Quality - Sustainability - Active Risk Management. Quality refers to the fundamental characteristics of the invested companies, sustainability refers to the full ESG integration of the strategy, and we see active risk management as the key pillar of our investment decision.

The aim is to offer a stable portfolio of high-quality companies with best ESG standards. High-quality companies are generally long-term oriented and therefore financially sustainable. ESG integration is complementary and helps to positively influence overall performance by reducing risk. Active risk management should help to align and optimise risk and return.

For us, the principle of sustainability is therefore more than just a pure ESG consideration, but is aimed overall at the long-term stable basis of our corporate activities. If, for example, the careful use of resources or the responsible treatment of employees is emphasised, then these concepts overlap with the goal of a long-term return on equity and thus the principle of quality. Another target figure is the positive contribution in relation to environmental and social indicators. The Sustainable Development Goals (SDGs) are also taken into account.



Figure 3: Our investment principles of the I-AM GreenStars Funds

*"Our ESG funds aim for a balanced investment that combines Quality, Sustainability and Active Risk Management in an optimal way." Günther Kastner, CIO, Impact Asset Management GmbH*

# I-AM GreenStars Funds Investment Process

## Quality

We are looking for companies that operate in a financially sustainable manner. The focus is on long-term successful world-class companies with the core indicators of high profitability, stable earnings growth and lower debt. These companies can generally adapt flexibly to different market conditions and are therefore less dependent on interest rate and economic cycles. However, the same applies to companies: "quality has its price"; the valuation of these companies is generally higher than the market average.

The principle of quality is self-reinforcing. A strong market position results in high margins, high earnings, lower debt, high free cash flow and thus more resources for dividends, share buybacks, investments and innovations to further strengthen the market position. The focus on free cash flow in particular keeps this cycle intact.

The market is increasingly using quantitative models based on various approaches for the classification and risk assessment of securities. These include sector classification (technology, industrials, financials, etc.), factor analysis (quality, growth, minimum volatility, value, blend), risk sensitivity (defensive, cyclical) or company size (mega cap, large cap, mid cap, small cap). We do not invest in quantitative factors, but in companies. Nevertheless, our focus on quality leads to certain overweights and underweights in the portfolios compared to broad market indices: Overweights are regularly found in the technology, healthcare and consumer sectors, the factors quality, growth and minimum volatility, in defensive securities and in mega-cap and large-cap companies.

- Illustrative quality company from the technology sector: **Microsoft**  
World market leader for retail and enterprise software, which has reinvented itself in recent years to additionally become the leading provider in cloud computing
- Illustrative quality company from the health care sector : **Novo Nordisk**  
World market leader in health care focused on diabetes care and insulin therapy, with constant innovation driving high margins, stable returns and negligible debt levels
- Illustrative quality company from the industrial/commercial services sector : **RELX**  
World market leader for information processing and analysis systems, the brands LexisNexis and Elsevier provide services for the scientific, technical, medical and legal professions



# I-AM GreenStars Funds Investment Process

## Sustainability

We are looking for companies that assume responsibility. In our I-AM GreenStars Funds, we follow a full ESG integration approach. Using a best-in-class approach, we take into account positive criteria, negative criteria and dialogue strategies with companies. We use external research (MSCI ESG Research, Institutional Shareholder Services and IVOX Glass Lewis) and proprietary work. We do not just apply simple filters to a basic universe but have integrated the principle of sustainability into the entire investment process. We see ESG integration as a tool for reducing (ESG) risks, which can thus make a positive contribution to the overall return of the portfolio.

The positive criteria are based on the E (Environmental), S (Social) and G (Governance) criteria and are incorporated into an ESG rating on the basis of more than 20 sub-categories. For example, CO<sub>2</sub> emissions, resource preservation, human resources management, product safety and business ethics are taken into account. The ESG screening process excludes companies and sovereign states with poor ESG ratings. On a scale from AAA (best) to CCC (worst), the minimum rating is BBB, issuers without an ESG rating are excluded.

The negative criteria are intended to filter out those issuers who operate in ethically or morally questionable sectors (including controversial weapons, coal, shale gas, tobacco), violate global standards (UN Global Compact, ILO core labour standards) or are involved in serious controversies. In the case of sovereign states, if investable, certain minimum standards and the ratification of international treaties are required (e.g., Nuclear Non-Proliferation Treaty, climate treaties, labour protection and human rights).

*A detailed list and description of the positive and negative criteria can be found in the annex to this document.*

The best-in-class approach is used to select the companies and sovereign states with the higher ESG standards within a sector or region. In addition, the overall impact of an issuer on the Sustainable Development Goals (SDGs) is taken into account when selecting securities. When creating the portfolio, all criteria are therefore qualitatively assessed and optimised in the context of portfolio construction together with risk/return considerations. As a result, our ESG portfolios, which are assessed by rating agencies such as MSCI ESG Research, ISS ESG or Sustainalytics / Morningstar, consistently rank in the top percentiles of their respective peer groups.

# I-AM GreenStars Funds Investment Process

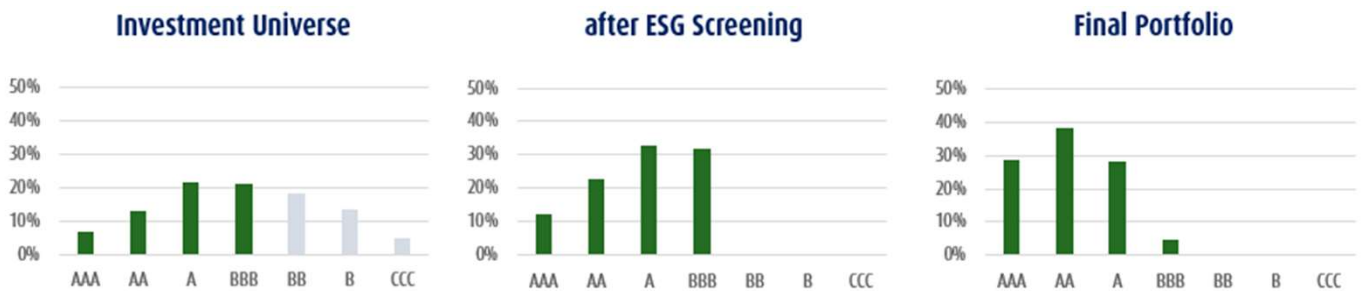


Figure 4: Distribution of ESG Ratings

*We do not just apply simple filters to a basic universe but have integrated the principle of sustainability into the entire investment process. This leads to above-average ESG standards in our final portfolios (indicative data, which may differ in practice).*

In addition to these aspects of portfolio construction, we also see ourselves as impact investors and want to influence the improvement of sustainability in companies. The mere sale of a position is primarily a tool for the investor and ensures that unsustainable companies are not held. Active participation instruments therefore include voting through participation in general meetings and through involvement in the development of ESG industry standards. Voting rights are exercised through proxy voting to ensure that our ESG guidelines are incorporated into the general meetings. We have selected the independent firm IVOX Glass Lewis to assist us with proxy voting. Standards-based and thematic engagements are conducted through ISS ESG's engagement platform or in collaboration with other asset managers and asset owners. Collaboration is conducted within the framework of the UN-PRI network. Through direct communication with companies, we aim to encourage them to comply with ESG-related issues.

More details on our active dialog strategies can be found on our homepage at <https://www.impact-am.eu/asset-management/sustainability/>.

In addition, as I-AM we are committed to making sustainability a focus of our investment process. Therefore, the most significant adverse impacts, known as 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 such into account can enable investors to achieve better performance over the long term.

Further details on the PAI indicators can be found on our homepage at [https://www.impact-am.eu/fileadmin/redakteure/Pictures/Sustainability/I-AM\\_PAI\\_Statement\\_EN.pdf](https://www.impact-am.eu/fileadmin/redakteure/Pictures/Sustainability/I-AM_PAI_Statement_EN.pdf).



# I-AM GreenStars Funds Investment Process

## Active Risk Management

We define risk as the permanent loss of the capital invested. Our active risk management is multifactorial and is considered the cornerstone of our investments. It consists of our world view (coordination of strategic allocation), security selection (more stable portfolios through stable companies), diversification (reduction of unsystematic risk) and quota control (tactical allocation through hedging or reallocation). Risks must be assessed qualitatively in addition to quantitatively, as historical data often becomes worthless in a crisis.

Based on management's view of the world, long-term strategic decisions are made, and framework conditions are created. Important questions are: What is the role of central banks and government finances? In which direction are interest rates, currencies, asset classes and market segments moving? Which opportunities and trends determine the development of sectors and regions? For us, the world view and strategic allocation form part of risk management.

Security selection is also part of risk management, as risk avoidance starts before buying. Several characteristics argue for more stable portfolios in our strategies: Based on the earnings quality of the companies we hold, we tend to hold large blue-chip companies, with rather lower debt, more stable balance sheets, and rather steady organic growth. Based on ESG quality, there are rather lower risks of short-term price-sensitive incidents, rather lower risks of long-term reputation-damaging incidents, and generally rather long-term oriented actions. Overall, our selection processes tend to favor companies that are less dependent on interest rate and economic cycles.

Diversification remains the simplest method of reducing risk in an existing portfolio. We apply different approaches and diversify by asset classes and market segments (equities, bonds, liquidity...), by regions, industries and sub-industries (technology, consumer staples,...), by company characteristics (size, creditworthiness,...) and by quantitative factors (quality, growth, value,...).

The adjustment of the investment ratios results from the tactical allocation, it is made by discretionary decisions and is also based on quantitative methods, i.e., risk-return optimizing models, trends, relative strengths, among others. This is followed by reallocations of asset classes (e.g., between equities/liquidity), market segments (e.g., between EUR/USD bonds) and/or risk factors (e.g., between defensive/cyclical) and, depending on the mandate, the use of derivatives for hedging (e.g., futures on equity indices). The quota control between asset classes is triggered rather rarely, the temporally stable strategic allocation is in the foreground.

# I-AM GreenStars Funds Investment Process

## Our Investment Process

Based on our principles of Quality – Sustainability – Active Risk Management, we construct our portfolios in a multi-stage process

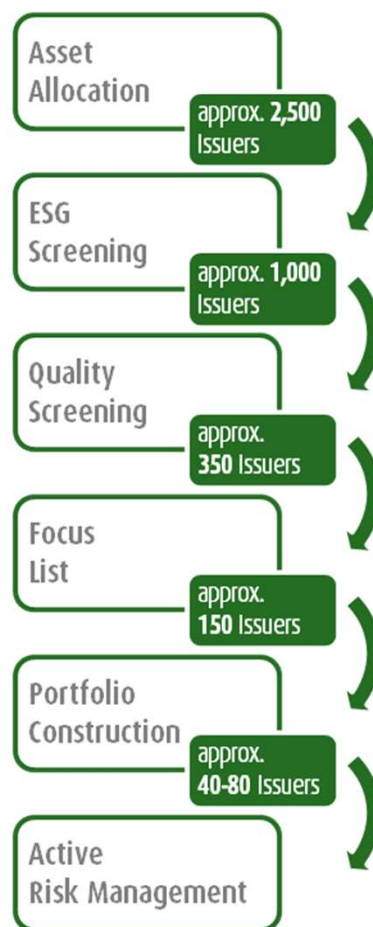


Figure 5: Investment Process

*Based on our principles of quality - sustainability - active risk management, we assemble our portfolios in a multi-stage process.*

# I-AM GreenStars Funds Investment Process

## Asset Allocation

The investment process begins with the definition of the investment universe, the long-term strategic allocation and the tactical allocation for shorter periods. The long-term strategic allocation is based on our strategic world view with special consideration of the macroeconomic situation. The short to medium-term tactical allocation is determined on a discretionary basis and is also based on quantitative methods; it is used for exposure management of the various market environments. The main market segments considered are equities, corporate bonds, cash / liquidity and, depending on the mandate, government bonds. Within equities, the main factors considered are regions, sectors, quantitative factors (e.g. growth, quality, value), fundamental factors (e.g. cyclical, defensive) and market capitalisation. Within corporate bonds, the most important segments considered are currency (EUR, USD), duration, spreads, and positioning along the yield curve. Government bonds, if investable, are held primarily as a liquidity substitute and rarely serve as a source of performance.

The following strategic allocations apply to the UCITS funds of the I-AM GreenStars Funds, which can be adjusted within the tactical allocation:

### I-AM GreenStars Absolute Return

- 25% Equities (0-30%): Global Blue-Chips
- 45% Corporate Bonds: Global Blue-Chips, EUR/USD-hedged
- 30% Government Bonds: EUR High Grade, EUR Eastern Europe, Short Duration

### C-QUADRAT GreenStars ESG Flexible (only approved for distribution in France)

- 50% Equities (0-50%): Global Blue-Chips
- 50% Corporate Bonds: Global Blue-Chips, EUR/USD-hedged

### I-AM GreenStars Balanced

- 50% Equities (0-50%): Global Blue-Chips
- 50% Corporate Bonds: Global Blue-Chips, EUR/USD-hedged

### I-AM GreenStars Opportunities

- 70% Equities (51-100%, use of derivatives for hedging purposes)
- Global Blue-Chips
- 30% Corporate Bonds: Global Blue-Chips, EUR/USD-hedged

### I-AM GreenStars Global Equities

- 100% Equities (80-100%): Global Blue-Chips

### I-AM GreenStars European Equities

- 100% Equities (80-100%): Europe Blue-Chips

# I-AM GreenStars Funds Investment Process

## Screening

The investment universe of approximately 2,500 issuers will be screened according to ESG and quality criteria and reduced in two steps to approximately 350 issuers. The screening is independent of asset classes and applies only to issuers - companies and sovereign states are "sorted out". ESG screening consists of negative criteria such as industry activity, global standards and controversies, and positive criteria such as minimum ESG ratings. The quality screening mainly relates to the market capitalisation of issuers and is supplemented by a qualitative control of fundamental key figures.

*A detailed list and description of the positive and negative criteria used in ESG screening can be found in the Annex to this document.*

## Focus List

Of the remaining issuers, a focus list of approx. 150 issuers is compiled by means of qualitative analysis. This step is also independent of asset classes and applies only to issuers. A fundamental analysis of the company is carried out, covering the industry, business model, management, balance sheet, cash flow and income statement. In the sustainability analysis, the criteria E (Environmental), S (Social) and G (Governance) are assessed and the industry activity, compliance with global standards and relevant controversies are reviewed. We concentrate on finding "red flags", which we define as interruptions to continuity caused by, for example, slumps in profits and controversies, which are reflected primarily in the historical development of securities prices.

## Portfolio Construction

In portfolio construction, the issuers on the focus list are used to form an optimised portfolio: According to the strategic and tactical allocation, diversified and optimised according to risk and return, ESG criteria and taking into account weightings, liquidity and transaction costs. The weightings of the individual positions depend on specific mandates and generally range between 1 - 4%. Equity selection is mainly top-down, with an assessment of price behaviour in relation to the allocation area (region, sector, factor). When selecting corporate bonds, the focus is primarily on large-cap issuers, as this process is also mainly top-down, taking into account the spread in terms of rating, maturity, currency and yield curve positioning.

# I-AM GreenStars Funds Investment Process

## Impact Investments

We see the assessment of the contribution of selected securities to the UN Sustainable Development Goals (SDGs) as an essential complement to our full ESG integration within our investment process. Here, issuers are assessed and analyzed for their sustainability impact before and during an investment. The values are finally incorporated into the portfolio construction process.



## Active Risk Management

Our active risk management is multifactorial and starts even before the purchase of securities. Within portfolio management, this includes our strategic world view (correct classification of the macroeconomic situation), security selection (stable portfolios by focusing on stable companies), sufficient diversification (across as many risk factors as possible) and, depending on the mandate, exposure management (tactical allocation through hedging/rebalancing). Monitoring includes assessing large movements in ESG criteria, security prices and fundamentals.

Portfolio monitoring continuously monitors all negative and positive criteria, which includes ESG ratings and controversies. Downgrades or material changes regularly lead to divestments. In case of emerging serious violations, we can react promptly, liquidating affected stocks within 30 days after month-end, depending on market conditions.

# I-AM GreenStars Funds Investment Process

## Active Risk Management

Our active risk management is multifactorial and begins even before the purchase of securities. Within portfolio management, this includes our strategic world view (correct classification of the macroeconomic situation), securities selection (stable portfolios by focusing on stable companies), sufficient diversification (across as many risk factors as possible) and, depending on the mandate, exposure management (tactical allocation by hedging/re-positioning). Monitoring includes the assessment of large movements in ESG criteria, security prices and fundamentals.

## Annex: ESG screening criteria

The following criteria apply in the ESG screening of the initial universe, with companies and governments being considered separately. Issuers that do not meet the above criteria are filtered out of the respective initial universe in the ESG screening process. If, after the purchase, there are any downgrades or material changes below the above-mentioned limits, the securities affected will be liquidated within 30 days of the end of the month, depending on market conditions.

The C-QUADRAT GreenStars ESG Flexible Fund requires that at least 90% of the securities must have an ESG rating or meet the positive and negative criteria. For all other UCITS funds and mandates in the I-AM GreenStars Funds, all securities must meet the ESG screening criteria.

We obtain the underlying data and detailed background information from MSCI ESG Research resp. ISS ESG. This ESG screening should only be seen as a basic building block. We do not just work by applying simple filters, but supplement these with our own research and qualitative analysis in order to integrate the principle of sustainability into the entire investment process and meet the highest ESG standards.



# I-AM GreenStars Funds Investment Process

## Positive Criteria Corporates

The positive criteria are based on the E (Environmental), S (Social) and G (Governance) criteria and are incorporated into an ESG rating in more than 20 sub-categories. For example, CO<sub>2</sub> emissions, resource preservation, human resources management, product safety and corporate ethics are taken into account.

ESG (IVA) Rating									
Environment Pillar				Social Pillar				Governance Pillar	
Climate Change	Natural Capital	Pollution & Waste	Env. Opportunities	Human Capital	Product Liability	Stakeholder Opposition	Social Opportunities	Corporate Governance	Corporate Behavior
Carbon Emissions	Water Stress	Toxic Emissions & Waste	Opportunities in Clean Tech	Labor Management	Product Safety & Quality	Controversial Sourcing	Access to Communication	Board	Business Ethics

ESG screening excludes companies with poor ESG ratings. On a scale from AAA (best) to CCC (worst), the minimum rating is BBB, issuers without an ESG rating are excluded.

## Positive Criteria Corporates

ESG Rating	Criteria
AAA, AA, A, BBB	investable
BB, B, CCC	not investable
not rated	not investable

# I-AM GreenStars Funds Investment Process

## Negative Criteria Companies

The negative criteria are intended to filter out those issuers who operate in ethically or morally questionable sectors (including controversial weapons, coal, shale gas, tobacco), violate global standards (UN Global Compact, ILO core labour standards) or are involved in serious controversies. The negative criteria are subject to ongoing monitoring and can be supplemented or adjusted based on new findings and developments in the market.

Sector & Business Involvement Global Standards & Controversies	Exclusion Criteria
Alcohol	> 5% revenue
Tobacco	> 5% revenue
Gambling	> 5% revenue
Adult Entertainment	> 5% revenue
Genetic Modified Organism (GMO)	> 5% revenue
Chlorine- and Agrochemicals (Biocides)	> 5% revenue
Thermal Coal	> 5% revenue
Oil Sands (Tar Sands)	> 5% revenue
Shale Gas and Shale Oil (Fracking)	> 5% revenue
Oil Sands + Shale Gas + Shale Oil	> 5% revenue
Power Generation by Thermal Coal	> 5% revenue
Power Generation by Nuclear	> 5% revenue
Nuclear Power	> 5% revenue
Animal Testing	no I-AM minimum standards
Weapons conventional	> 5% revenue
Weapons controversial	any association
Weapons controversial historic	any historic association
Nuclear Weapons	any association
UN Global Compact	Fail
Human Rights	Fail
Labour Rights	Fail
Controversy Score	0 out of 10 scores

# I-AM GreenStars Funds Investment Process

## **Alcohol**

Companies with an industry tie to alcohol, including producer, distributor, retailer, licensor, supplier, and ownership categories are excluded from the investment universe.

Revenue tolerance threshold: 5%

## **Tobacco**

Companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories are excluded from the investment universe.

Revenue tolerance threshold: 5%

## **Gambling**

Companies that have an industry tie to gambling through the operation, support, licensing or ownership categories are excluded from the investment universe.

Revenue tolerance threshold: 5%

## **Adult Entertainment**

Companies with an industry tie to adult entertainment, including producer, distributor, retailer, and ownership categories are excluded from the investment universe.

Revenue tolerance threshold: 5%

## **Genetic Modified Organism (GMO)**

Companies involved in the production of genetically modified organisms for agricultural use are excluded from the investment universe.

Revenue tolerance threshold: 5%

## **Chlorine and Agrochemicals (Biocides)**

Companies that have an industry tie to biocide products through the producer, supplier, or ownership categories are excluded from the investment universe. Biocides are defined as products that are used to control unwanted organisms. These include pesticides, rodenticides, insecticides, and antifouling products.

Revenue tolerance threshold: 5%

# I-AM GreenStars Funds Investment Process

## Thermal Coal

Companies with an industry tie to thermal coal, in particular reserve ownership, production and power generation are excluded from the investment universe. Also excluded are companies with an industry tie to mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and the their sale to external parties. It excludes: revenue from metallurgical coal, coal mined for internal power generation (e.g. in the case of vertically integrated power producers), intra-company sales of mined thermal coal, and revenue from coal trading.

Revenue tolerance threshold: 5%

## Unconventional Oil and Gas: Oil Sands (Tar Sands), Shale Gas and Shale Oil (Fracking)

Companies with an industry tie to oil sands, shale gas & oil, in particular reserve ownership, extraction and production activities are excluded from the investment universe. Not covered here are non-extraction activities (e.g. exploration, surveying, processing, refining), ownership of oil sands, shale gas & oil reserves with no associated extraction revenues, revenue from intra-company sales. Companies with an industry tie to unconventional oil and gas as per the definition of Febelfin are excluded from the investment universe. It includes revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane as well as Arctic onshore/offshore. It excludes conventional oil and gas production, deep water, shallow water and other onshore/offshore.

Revenue tolerance threshold: 5% (even when adding up all revenues from unconventional oil and gas)

## Power Generation by Thermal Coal

Companies with an industry tie to thermal coal based power generation are excluded from the investment universe.

Revenue tolerance threshold: 5%

## Power Generation by Nuclear

Companies with an industry tie to the nuclear energy based power generation are excluded from the investment universe.

Revenue tolerance threshold: 5%

## Nuclear Power

Companies that have an industry tie to the nuclear power industry are excluded from the investment universe. This includes companies that own or operate nuclear power plants, and manufacture and supply key products or services to the nuclear power industry.

Revenue tolerance threshold: 5%

# I-AM GreenStars Funds Investment Process

## Animal Testing

Companies involved in animal testing (including those on the PETA and USDA lists), factory farming, exhibiting animals, breeding animals, and ownership of or by a company in these categories are excluded from the investment universe. However investments are possible if companies disclose statements or policies addressing the welfare of animals used for laboratory testing, disclose statements in support of researching or employing alternatives to animal testing (i.e. other methods of ensuring product safety that do not include the use of animals in experiments) or are accredited by the Association of Assessment and Accreditation of Laboratory Animal Care (AAALAC) - a private, nonprofit organization that promotes humane treatment of animals in science through voluntary accreditation.

Revenue tolerance threshold: Companies which do not meet the above criteria will be excluded

## Weapons conventional

Companies that have an industry tie to the manufacture of conventional (including depleted uranium), biological/chemical, or nuclear weapons systems and components are excluded from the investment universe. This includes companies that provide support systems and services, as well as those with indirect ties to weapons production through ownership.

Revenue tolerance threshold: 5%

## Weapons controversial and Nuclear Weapons (current & historic)

Companies that have any ties to nuclear weapons, cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments are excluded from the investment universe. Companies that frequently appear in publicly available cluster munitions blacklists or have been the subject of repeated public and/or client inquiry but there is evidence against their alleged involvement, including but not limited to: company statements denying involvement, proof of cessation of activities, end of production contract without renewal, etc. It also includes companies formerly flagged by MSCI ESG Research as involved but which have been confirmed to no longer produce cluster munitions, components, or delivery platforms.

Revenue tolerance threshold: 0%

# I-AM GreenStars Funds Investment Process

## UN Global Compact

We do not invest in companies that violate the United Nations Global Compact principles. A detailed list of these principles is given below.

Revenue tolerance threshold: Companies that violate the UN Global Compact are excluded

## Human Rights

We do not invest in companies that show serious human rights-related controversy with the United Nations Guiding Principles for Business and Human Rights.

Revenue tolerance threshold: Companies that violate human rights are excluded

## Violation of ILO core labour standards

We do not invest in companies that violate the International Labour Organization's broader set of labor standards. A detailed list of these principles is given below.

Revenue tolerance threshold: Companies that violate ILO labour standards will be excluded



# I-AM GreenStars Funds Investment Process

## UN Global Compact

The Global Compact is a strategic initiative of the United Nations which aims to commit companies to align their business activities and strategies with ten universally recognised principles in the areas of human rights, labour standards, environmental protection and anti-corruption. Companies can join this initiative voluntarily and thus commit themselves to the 10 principles listed below.

MSCI ESG Research reviews each company, whether or not it is a member of the initiative, against these ten principles and prepares a detailed report for each identified breach.

The ten principles of the UN Global Compact can be classified into four areas:

### Human Rights

- Principle 1: Businesses should support and respect the protection of international human rights; and  
Principle 2: ensure that they are not complicit in human rights violations.

### Labour Standards:

- Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining  
Principle 4: Businesses should work for the elimination of all forms of forced labour  
Principle 5: Businesses should work towards the elimination of child labour  
Principle 6: Businesses should work to eliminate discrimination in employment and occupation

### Environmental Protection:

- Principle 7: Businesses should follow the precautionary principle when dealing with environmental problems  
Principle 8: Businesses should take initiatives to promote greater environmental awareness  
Principle 9: Businesses should accelerate the development and diffusion of environmentally friendly technologies

### Prevention of Corruption :

- Principle 10: Businesses should work against all forms of corruption, including bribery and extortion

# I-AM GreenStars Funds Investment Process

## ILO Core Labour Standards

The core labour standards of the International Labour Organisation (ILO) are defined by eight conventions.

This includes:

### Trade Union Rights

Convention 87: Freedom of association and protection of the right to organise, 1948

Convention 98: Right of association and collective bargaining, 1949

### Abolition of Forced Labour

Convention 29: Forced or compulsory labour, 1930

Convention 105: Abolition of forced labour, 1957

### Equal Treatment

Convention 100: Equal pay for work of equal value, 1951

Convention 111: Discrimination in employment and occupation, 1958

### Prohibition of Child Labour

Convention 138: Minimum age for admission to employment, 1973

Convention 182: Prohibition and immediate action to eliminate the worst forms of child labour, 1999

# I-AM GreenStars Funds Investment Process

## Positive Criteria Sovereign States

The positive criteria for sovereign states are also based on the E (Environmental), S (Social) and G (Governance) criteria, and several sub-categories are included in an ESG rating. For the E (Environmental), the extent to which a state's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and to deal with environmental vulnerabilities and externalities is assessed. S (Social) assesses the capacity to develop a healthy, productive and stable workforce and human capital. G (Governance) assesses how a sovereign state's competitiveness is affected by its long-term stability, its political systems and its environmental and social risks.

ESG screening excludes governments with poor ESG ratings. On a scale from AAA (best) to CCC (worst), the minimum rating is BBB, issuers without an ESG rating are excluded.

### Positive Criteria Sovereign States

ESG Rating	Criteria
AAA, AA, A, BBB	investable
BB, B, CCC	non investable
not rated	non investable

# I-AM GreenStars Funds Investment Process

## Negative Criteria Sovereign States

The sovereign states' negative criteria require certain minimum standards and the ratification of international treaties (including the Nuclear Non-Proliferation Treaty, climate agreements, labour protection and human rights).

Sovereign States Global Standards	Criteria
Ratification Kyoto Protocol (climate protection)	required
Ratification Paris Agreement (climate protection)	required
Human rights, including Freedom House	required
Labour Rights	required
No death penalty	required
Democracy	required
Corruption (Index of Transparency International >35)	required
Military budget (not exceeding the global average)	required
Nuclear Non-Proliferation Treaty	required

# I-AM GreenStars Funds Investment Process

## Negative Criteria Sovereign States in detail

### Kyoto Protocol and Paris Agreement

Countries which have not deposited any of the ratification instruments of the Kyoto Protocol or of the UNFCCC Paris Agreement (such as Ratification, Accession, Approval) are excluded from the investment universe.

### Convention on Biological Diversity

Countries which have not deposited any of the ratification instruments of the Convention on Biological Diversity (such as Ratification, Succession, Accession, Approval, Acceptance etc) are excluded from the investment universe.

### Human Rights

Countries which are not classified as "free" according to the Report of Freedom House are excluded from the investment universe.

### Labour Rights

We exclude countries where basic labour rights are not guaranteed. In doing so, we draw our information from the ITUC Global Rights Index of the International Trade Union Confederation (ITUC), which ranks 144 countries on a six-point scale from 5+: "No guarantee of rights due to the breakdown of the rule of law" to 1: "Sporadic violations of rights ". We exclude from our investment universe sovereign states that are among the "The World's Worst Countries for Workers".

### Death penalty

Countries which apply the death penalty are excluded from the investment universe. We distinguish between countries where the death penalty is legal and applied (albeit only for extraordinary crimes) and countries that have abolished the death penalty but have not yet incorporated abolition into their constitution. We do not exclude the latter.

### Democracy

In the field of democracy we capture the level of political rights and the level of civil liberties in a country (data source: Freedom House). Political rights include natural justice in law and politics, such as freedom of association, the right to assemble, the right to petition, the right of self-defense and the right to vote. Civil liberties include are freedom from slavery and forced labor, freedom from torture and death; the right to liberty and security, to a fair trial, to defend one's self, to privacy; freedom of conscience, of expression, of assembly and association; and the right to marry and have a family. We exclude countries from our investment universe that are considered non-free on the three-tier scale drawn up by Freedom House, where fundamental political rights and civil liberties are no longer fully guaranteed.

# I-AM GreenStars Funds Investment Process

## Corruption

In order to identify countries where there is little or no corruption, we make use of the "Corruption Perception Index" (Data Source: Transparency International). It measures the degree to which public sector corruption is perceived to exist in different countries around the world. Countries with lower score are perceived to be more corrupt. Countries with a CPI score below 35 are excluded from the investment universe.

## Excessive military budget

Countries with an annual defence budget of its GDP (Source: World Bank) that exceeds the global average are excluded from the investment universe. We exclude from our investment universe countries that possess nuclear weapons or that there is strong evidence that they possess nuclear weapons.

## Nuclear Weapons

Countries that have not signed the Non-Proliferation Treaty are excluded.

## Anti-personnel and landmines

Countries which have not used any ratification tool to Anti-Personnel Landmines Conventions (even if they have signed to it) are not considered party to the protocol and are excluded from the investment universe.



# I-AM GreenStars Funds Investment Process

## Freedom House

Freedom House is a government-affiliated non-governmental organisation (NGO), which was founded in Washington in the early 1940s by Eleanor Roosevelt, among others, who later co-authored the "Universal Declaration of Human Rights". The aim of Freedom House was and is to contribute to peace by improving democratic structures worldwide. In addition to actively supporting democratic processes, Freedom House publishes two reports each year, the "Freedom in the World" and the "Freedom of the Press" report, which are among the most respected reports on freedom and democracy worldwide. Part of this report is an examination of labour rights, political rights and civil liberties, based on independent third-party data and own research.

## International Trade Union Confederation

The International Trade Union Confederation (ITUC) is the largest trade union confederation in the world, bringing together 340 trade unions from 163 countries with some 182 million members. It sees itself as the global voice of workers worldwide and produces the ITUC Global Rights Index annually. This index reports abuses that violate internationally recognised labour standards. Based on this, the countries analysed are assessed and classified accordingly.

## Corruption Perception Index

The "Corruption Perception Index" or Corruption Index has been surveyed annually by Transparency International since 1995. The index is composed of various surveys and studies carried out by 13 independent institutions such as the World Bank and the Development Bank. The index ranks the countries on a scale from 0 to 100 (best) according to the degree to which corruption is perceived by public officials and politicians. The index is based on surveys of businessmen and women, country analyses and interviews with experts from Germany and abroad.

## Biodiversity Convention

The "Biodiversity Convention" or "Convention on Biological Diversity" was adopted at the United Nations Rio Conference in 1992; 193 states have joined the Convention to date. The Convention contains three equal objectives: the protection and sustainable use of biological diversity and the fair and equitable sharing of the benefits arising out of the utilisation of genetic resources. The basic idea of the Convention is that biological diversity can only be conserved in the long term if the opportunities and profits from the sustainable use of nature benefit all groups involved equally. Due to its worldwide acceptance and binding nature under international law, the Convention is regarded as one of the most important international agreements on the protection of biodiversity.

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