

Principal Adverse Sustainability Impacts Statement

June 2023



Statement pursuant to Art. 4 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 concerning sustainability-related disclosure requirements in the financial services sector or Art. 4 Delegated Regulation (EU) 2022/1288 supplementing Regulation 2019/2088

Financial market participant

Impact Asset Management GmbH (LEI Code: 529900ZKALOKA0NNRP34) – following briefly „I-AM“

Summary

Impact Asset Management GmbH (529900ZKALOKA0NNRP34) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of Impact Asset Management.

This principal adverse impacts statement covers the reference period from 01 June 2022 to 31 December 2022.

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 consisting of single funds, special mandates, portfolio funds as well as microfinance funds. It explains how sustainability risks are assessed and integrated into the respective investment process of the corresponding product categories. Sustainability risks are defined as environmental, social or corporate governance events or conditions, the occurrence of which may have an actual or potential negative impact on the managed portfolio as well as on the reputation of an invested company / issuer.

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

The consideration of ESG indicators was defined for the individual products managed by I-AM depending on their investment strategy. More detailed product-specific information can be found in the sales prospectuses of the individual products, which are available on the websites of the respective management company.

Within the scope of the sustainable product range, the principal adverse impacts on investment decisions are taken into account for the majority of the funds. Due to the differences in the investment strategies, this consideration is also carried out in different ways, for example on the basis of positive or negative criteria, the UN Sustainable Development Goals (UN SDGs for short), the UN Global Compact, the Universal Declaration of Human Rights, etc.

The statements on the consideration of the principal adverse impacts as well as the detailed ESG investment processes are available on the I-AM website at <https://www.impact-am.eu/en/sfdr-disclosure> and at <https://www.impact-am.eu/en/asset-management/sustainability>, respectively.

The indicators and values listed below are based on data from the sustainable investment funds managed by I-AM. The data basis is formed on the one hand by data from the management companies and external ESG data providers depending on their availability.

Description of principal adverse sustainability impacts

The consideration of ESG indicators was defined for the individual products managed by I-AM depending on their investment strategy or product group. More detailed product-specific information can be found in the sales prospectuses of the individual products, which are available on the websites of the respective management company.

I-AM has defined company-wide exclusion criteria. For example, direct investment in controversial weapons is prohibited. Controversial weapons are understood to include the following categories: Landmines and cluster munitions, biological and chemical weapons (including white phosphorus), uranium and incendiary munitions, and any links to nuclear weapons, inside and outside the Nuclear Non-Proliferation Treaty. All single funds managed and advised by I-AM are subject to the exclusion of companies with any links to controversial weapons. This affects direct producers of related weapons systems as well as manufacturers and suppliers of expedient components. For all portfolio funds managed by I-AM, the exclusion applies to target funds with direct investments related to landmines and cluster munitions, biological and chemical weapons (including white phosphorus), uranium and incendiary munitions. Furthermore, target funds with investments in companies producing nuclear warheads and/or whole nuclear missiles, companies producing components designed or significantly modified for exclusive use in nuclear weapons (warheads and missiles) and companies involved in the production and/or storage of fissile material used in/for nuclear weapons are excluded. The review of the above exclusions is carried out in close cooperation with external ESG data providers and is based on current data availability. Further details can be found in the currently valid investment processes on the website.

Furthermore, I-AM excludes the direct use of derivatives that enable or support food speculation for all funds or advisory mandates it manages. Specifically, the exclusion affects derivative instruments in the agricultural sector.

Single funds / special mandates

In the sustainable single funds, full ESG integration is pursued. Using a best-in-class approach, positive criteria, negative criteria and, where possible, dialogue strategies with companies are taken into account. External research (MSCI ESG Research, Institutional Shareholder Services (ISS) and Glass Lewis) and proprietary work is used. I-AM not only works by applying simple filters to a basic universe but has integrated the principle of sustainability throughout the investment process. ESG integration is seen as a tool to reduce (ESG) risks, which can thus contribute positively to the overall portfolio return.

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 various subcategories. For example, CO₂ emissions, resource conservation, employee management, product safety and corporate ethics are taken into account. ESG screening is used to exclude companies and countries with poor ESG ratings or no ESG rating. The negative criteria are intended to filter out those issuers that operate in ethically or morally questionable industries (including controversial weapons, coal, shale gas, tobacco), violate global norms (UN Global Compact, ILO core labor standards) or are involved in serious controversies. For states, if investable, certain minimum standards and ratification of international treaties are required (including the Nuclear Non-Proliferation Treaty, climate treaty, labor protection and human rights). A detailed list and description of the positive and negative criteria can be found in the currently valid investment process. The best-in-class approach is used to select companies and countries 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. Thus, an attempt is made to favor companies with a positive contribution. When compiling the portfolio, all criteria are therefore assessed qualitatively and optimized together with risk-return considerations as part of the portfolio construction process. The assessment of the contribution of selected securities to the UN Sustainable Development Goals (SDGs), is considered an essential complement to the full ESG integration within the investment process. In this context, issuers are assessed and analyzed for their sustainability impact before and during an investment. The values are finally incorporated into the portfolio construction process.

Consideration of the principal adverse impacts of investment decisions on sustainability factors is carried out through the negative criteria mentioned in the ESG investment process and in the selection of securities (positive criteria). The use of positive criteria involves the absolute and relative evaluation of companies in relation to stakeholder-related data, such as in the areas of employees, society, suppliers, business ethics and the environment. In addition, where possible, "engagement" with companies in the form of company dialogs and, in particular, the exercise of voting rights, is used to reduce adverse sustainability impacts. These company-related engagement activities are carried out independently of any specific investment in the respective company. The security selection process for government bonds includes consideration of the most important adverse sustainability impacts. This is done through the use of negative criteria and positive criteria. The use of positive criteria for sovereigns involves absolute and relative assessment in relation to sustainable development-related factors such as the political system, human rights, social structures, environmental resources and the management of climate change.

Portfolio funds

As part of the ESG selection process, target funds are sought that have integrated ESG criteria into their investment process. This means that they apply environmental or social characteristics or a combination of these characteristics (Article 8 SFDR) or aim for a sustainable investment (Article 9 SFDR). Based on this, both positive criteria and negative criteria are considered in the selection process. In addition, it is important to conduct an active dialogue with the asset manager of target funds in order to obtain detailed information about their entire investment process on the one hand, and to find out how ESG criteria are taken into account in it on the other. The positive criteria are based on E (Environmental), S (Social) and G (Governance) factors and are incorporated into an ESG rating on the basis of a large number of subcategories. ESG screening is used to exclude those target funds with poor ESG ratings or no ESG rating. The negative criteria are intended to filter out those target funds that hold a share of their assets in ethically or morally questionable industries (including controversial weapons, nuclear weapons, tobacco, fossil fuels), violate global standards (UN Global Compact, ILO core labor standards) or are involved in serious controversies.

I-AM seeks to manage the risk associated with potential negative sustainability impacts of investments in a variety of ways, including through the screening criteria defined above, minimum exclusions, monitoring of norm violations, or use of minimum ESG criteria.

Microfinance Fund

The two microfinance funds pursue the goal of contributing to the UN Sustainable Development Goals (SDGs) with their investments. Therefore, for each new transaction, the main SDG contribution is identified based on the main investment area. Both funds primarily target SDG 1 (No Poverty), as well as SDG 8 (Decent Work and Economic Growth) and SDG 5 (Gender Equality), without compromising the other SDGs. Elements of the other fourteen remaining United Nations SDGs, such as 2 "No Hunger," 4 "Quality Education," or 7 "Affordable and Clean Energy," etc., can also be positively impacted by the investments.

As part of the investment process, an exclusion list and ESG negative screening for principal adverse impacts has been implemented to optimize the impact outcome and be in line with Article 9 SFDR on avoiding significant harm to sustainable investment objectives. A UN SDG is assigned to each investee. In addition, operations are regularly measured against their impact on the sustainable investment objectives as well as against the principal adverse impacts. Assessing the risk of principal adverse impacts (PAI) is a key component of the investment process. In researching, analyzing, and making decisions, I-AM uses: (1) an exclusion of investments that significantly harm sustainable investment objectives in the form of an exclusion list, such as production or trade in weapons, commercial logging in primary tropical forests, and production or activities that involve harmful or exploitative forms of labor, whenever possible, depending on the type of investment; and (2) an ESG assessment that aims to assess and monitor the risk of occurrence of principal adverse impacts that could harm sustainability goals. It allows filtering out investments that have been identified as having a low risk of harming sustainability factors.

The following table provides an overview of which indicators are covered by which process steps. Future deviations from the planned measures are possible at any time.

Detailed information on I-AM's ESG investment processes can be found in the respective documents on the website at <https://www.impact-am.eu/en/asset-management/sustainability>.

The following overview contains information on the sustainable investment funds managed by I-AM.

Table 1: Main indicators

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact (year 2022)	Explanation	Actions taken
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	2 739,66	tCO ₂	Consideration at positive criteria and engagement level (where possible)
		Scope 2 GHG emissions	3 992,50	tCO ₂	Consideration at positive criteria and engagement level (where possible)
		Scope 3 GHG emissions	625 291,67	tCO ₂	Consideration at positive criteria and engagement level (where possible)
		Total GHG emissions	632 027,35	Scope 1, 2 and 3 in tCO ₂	Consideration at positive criteria and engagement level (where possible)
	2. Carbon footprint	Carbon footprint	2 348,37	Scope 1, 2 and 3 in tCO ₂ /mio. EUR	Consideration at positive criteria and engagement level (where possible)
3. GHG intensity of investee companies	GHG intensity of investee companies	519,06	Scope 1, 2 and 3 in tCO ₂ /mio. EUR	Consideration at positive criteria and engagement level (where possible)	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	2,4%		Consideration at the level of negative criteria (where possible)	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	35,3%	Proximate value for "energy consumption coal/nuclear/unknown energy sources" and "consumption of non-renewable energy"	Consideration at the level of negative criteria and engagement (where possible)	

	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	2,5	Total from agriculture, forestry, fishing 0Gwh/mio. EUR ;Mining and extraction of raw materials 0Gwh/mio. EUR ; Manufacturing industry 0,43Gwh/mio. EUR ; Electricity, gas, steam and air conditioning supply 1,46Gwh/mio. EUR ; Water supply, sewerage, waste management and remediation 0Gwh/mio. EUR ; Construction 0Gwh/mio. EUR ; Wholesale and retail trade; repair of motor vehicles and motorcycles 0,02Gwh/mio. EUR ; Transportation and storage 0,63Gwh/mio. EUR ; Real estate activities 0Gwh/mio. EUR ; Activities of extraterritorial organizations and entities 0,55Gwh/mio. EUR	Consideration at positive criteria and engagement level (where possible)
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	0,0%	Approximate value	Consideration at the level of negative and positive criteria (where possible).

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0,00	The indicator refers to different types of emissions in water. ISS ESG collects chemical oxygen demand (COD), a commonly used indicator for measuring emissions to water, which can serve as a proxy for the requirements of the "emissions to water" indicator. Data in t/m	Consideration at positive criteria (where possible)
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	0,14	Approximate value; figures in t/million EUR	Consideration at positive criteria (where possible)

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 Organisation 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	0,0%	N/A	Consideration at the level of negative and positive criteria and engagement (where possible)
	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	5,0%	N/A	Consideration at the level of negative and positive criteria and engagement (where possible)

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13,0%	N/A	Consideration at positive criteria (where possible)
	13. Board gender diversity	Average ratio of female to male board members in investee companies	26,6%	N/A	Consideration at positive criteria (where possible)
	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	0,0%	N/A	Consideration at the level of negative criteria (where possible)

Indicators applicable to investments in sovereigns and supranationals

Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	Consideration at the level of negative and positive criteria (where possible)
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0,0%	N/A	Consideration at the level of negative and positive criteria (where possible)

Table 2: Additional indicators

Indicators applicable to investments in investee companies

ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	68,5%	N/A	Consideration at the level of negative and positive criteria and engagement (where possible)
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ADDITIONAL SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	20,6%	N/A	Consideration at the level of negative and positive criteria and engagement (where possible)
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	1,2%	N/A	Consideration at the level of negative and positive criteria and engagement (where possible)

Description of policies to identify and prioritise principal adverse sustainability impacts

The I-AM Principle Adverse Impact Statement was approved in the form of a separate policy by the management of Impact Asset Management GmbH on May 24, 2022 and published on the website at <https://www.impact-am.eu/en/asset-management/sustainability> or subsequently updated.

The I-AM ESG product family consists of UCITS-compliant single funds, portfolio funds and special mandates as well as the microfinance funds, which are managed according to an approach tailored to the respective product group, taking into account the relevant product specifications. In total, the sustainable investment team of I-AM comprises 9 employees, who are active in the various management teams of the individual product groups.

There is also a Sustainability Advisory Board consisting of the CIO, Head of Fund Management, and those responsible for microfinance and ESG. It reviews and verifies the sustainability performance of the ESG single funds, for example with regard to the sustainability concept and the selection of the relevant positive and negative criteria. It also takes on an advisory role when it comes to discretionary single stock reviews of companies that are on the so-called watch list with regard to the UN Global Compact (UN GC), which means that a violation of the UN GC does not necessarily have to have occurred but is possible. The detection process is preceded by a detailed qualitative and quantitative review based on external data. New scientific and social findings are also discussed by the Advisory Board, which may possibly lead to a change in strategy. In addition to these tasks, the Advisory Board formulates a corporate social responsibility (CSR) policy and sets improvement targets that are subsequently to be implemented by the individual fund managers or the company as a whole. The implementation of the targets and the sustainability policy are regularly reviewed and recorded in writing. Further tasks of the Sustainability Advisory Board include the possibility to define new exclusion criteria, the regular review of the effectiveness and meaningfulness of the existing criteria as well as the design and maintenance of the ESG best-in-class indices created by I-AM.

The sustainable investment processes take into account the principal adverse impacts mainly via negative criteria, positive criteria and dialog strategies. Both positive and negative criteria are defined and continuously monitored depending on the respective product group. In the area of single funds and portfolio funds, the indicators for the principal adverse impacts are also calculated and monitored on a monthly basis, using external data from ISS, among others.

Methods for selecting indicators and identifying and assessing key adverse impacts on sustainability factors

Sustainability factors include environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery. Adverse impacts on sustainability factors describe the effect of an investment on the outside, while sustainability risks have a (potential) negative impact on the value of the investment from the outside. Sustainability risks are environmental, social or governance events or conditions, the occurrence of which could have an actual or potential material adverse effect on the value of the investment. Material in terms of sustainability risks are therefore the environmental and reputational risks that are possible for issuers. It is difficult to make a clear distinction between adverse impacts on sustainability factors and sustainability risks, so that a reduction in sustainability risks usually also results in a reduction in adverse impacts on sustainability factors and vice versa.

The methodologies for selecting indicators and identifying and assessing principal adverse impacts on sustainability factors are integrated into I-AM's holistic sustainable investment processes. Due to this, the ESG investment process considers all the indicators of adverse impacts on sustainability factors listed in the previous section. Negative criteria are thus applied to avoid controversial business fields and practices, thus excluding, for example, controversial weapons or food speculation during the reporting period. Positive criteria are also used, which are implemented depending on the respective product group and are taken into account via numerous subcategories from the areas E (Environmental), S (Social) and G (Governance). The integration of ESG indicators therefore not only improves the ESG quality of the investment funds, but also their risk profile in most cases. In addition, the overall impact of an issuer on the Sustainable Development Goals (SDGs) is taken into account when selecting securities for individual securities funds as well as for microfinance funds. Assessing the contribution of selected securities to the SDGs, is considered an essential complement to full ESG integration within the investment processes. Finally, dialog strategies form another essential component. This is intended to actively influence issuers to bring about improvements in the companies themselves, but also beyond that to society.

The positive and negative criteria applied to the individual product groups can be found in the ESG investment processes on our homepage or in the sales prospectuses of the investment funds on the websites of the management companies.

Information on the dialog strategies is also available at <https://www.impact-am.eu/en/asset-management/sustainability>.

The weighting of the individual indicators for adverse impacts on sustainability factors is derived from the investment processes.

Due to the holistic ESG approach, there is no restriction to individual indicators for adverse impacts on sustainability factors. Rather, as a rule, all indicators are taken into account in the investment process. In the reporting period, as stated above, a qualitative approach and no quantitative limitation of individual indicators for adverse impacts on sustainability factors was chosen. Therefore, no margins of error are provided for.

Data sources

Subject to data availability, I-AM's portfolio management team continuously monitors the principal adverse impacts of issuers and target funds via a variety of sustainability indicators, incorporating external data. I-AM uses the internationally renowned data providers MSCI ESG Research and Institutional Shareholder Services (ISS) in the area of single funds and portfolio funds as well as the data provider Symbiotics for the microfinance funds.

In some cases, issuer disclosure of data is restricted, resulting in the need for data estimates. Data providers therefore regularly estimate data points, and coverage and methodology are continuously improved. I-AM does not perform any estimation of sustainability indicators. However, the need for estimates will continuously decrease due to, among other things, the expansion of sustainability-related reporting requirements of issuers. The methods applied and data sources used are constrained by the limited availability of relevant data. To mitigate these limitations, the data providers used utilize a variety of alternative data, including media sources, recognized international or local non-governmental organizations, government agencies, and intergovernmental organizations. Another limitation of the data is the time lag of data and assessment results. Typically, covered issuers report annually for the previous fiscal year, which means that there is a significant time lag in the information provided. An additional lag may result from the timing of when the information is published by the covered issuer and when that data is collected and processed by data providers. In addition, data providers also rely on alternative data, such as media reports, which are typically more current and integrated on an ad hoc basis. Forward-looking assessments are inherently subject to a degree of uncertainty, in part because stated commitments or strategies may not (or may not) be implemented as expected. The data providers used apply robust methodologies to assess the credibility of commitments in relation to the future performance of affected companies.

Single funds / special mandates

Invested issuers that may be outliers on certain indicators or have high negative impacts on multiple indicators are identified and analyzed using the ESG database.

For the review of positive and negative criteria as well as for the assessment of controversies, I-AM uses data from MSCI ESG Research as well as ISS for single funds. The data obtained from the data providers is further processed as part of a regular process for further proprietary analyses. Data quality is ensured by regular monitoring of the imported data and plausibility checks. When selecting data providers, particular attention is paid to the degree of coverage of the investment universe and the available data points, methodology and usability.

Portfolio funds

In the area of portfolio funds, positive and negative criteria are also applied; for the verification of these, I-AM uses data from MSCI ESG Research due to the degree of coverage in relation to the investment universe as well as the methodology.

Microfinance Fund

Data collection is primarily conducted by Symbiotics S.A., a research firm that regularly visits microfinance institutions (MFIs), conducts financial, operational, and social due diligence by analyzing the financial, operational, and social impact data of MFIs or financial institutions, prepares credit assessment reports, and regularly monitors existing loans. The data is analyzed on a regular basis - with a frequency of up to once a month.

Overview of data sources:

Category	Subject	PAI-Indicator	Data source
Companies	Climate and environment	GHG-emissions	MSCI ESG, ISS, Symbiotics
		Carbon footprint	MSCI ESG, ISS, Symbiotics
		GHG intensity of companies	MSCI ESG, ISS, Symbiotics
		Exposure to companies active in the fossil fuel sector	MSCI ESG, ISS, Symbiotics
		Intensity of energy consumption by climate-intensive sectors	MSCI ESG, ISS, Symbiotics
		Activities negatively affecting biodiversity-sensitive areas	MSCI ESG, ISS, Symbiotics
		Emissions to water	MSCI ESG, ISS, Symbiotics
		Hazardous waste ratio	MSCI ESG, ISS, Symbiotics
		Investments in companies without carbon emission reduction initiatives	MSCI ESG, ISS, Symbiotics
Companies	Social affairs and employment, respect for human rights and combating corruption and bribery	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	MSCI ESG, ISS, Symbiotics
		Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	MSCI ESG, ISS, Symbiotics
		Unadjusted gender pay gap	MSCI ESG, ISS, Symbiotics
		Board gender diversity	MSCI ESG, ISS, Symbiotics
		Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	MSCI ESG, ISS, Symbiotics
		Lack of a human rights policy	MSCI ESG, ISS
		Lack of due diligence	Symbiotics
States and supra-national organizations	Environment	GHG intensity	MSCI ESG, ISS
	Social	Investee countries subject to social violations	MSCI ESG, ISS

Engagement policies

As a sustainable asset manager, I-AM is aware of its duties towards investors and other market participants. As part of these duties, it pursues active dialog strategies with companies within its sustainable investments - where possible. Active participation instruments therefore include voting, participation in annual general meetings and involvement in collaborative or individual engagements. In this context, voting rights are exercised via a proxy (so-called "proxy voting"). For proxy voting, I-AM has selected Glass Lewis, an independent firm, to assist it in exercising voting rights. Glass Lewis provides a range of proxy voting services including research, analysis and voting recommendations. I-AM uses these services but makes decisions based on its internal I-AM voting policy. Accordingly, Glass Lewis' inputs are only recommendatory in nature, meaning that I-AM does not automatically vote in favor of management or Glass Lewis' recommendations. I-AM supports shareholder resolutions where possible, particularly with respect to ESG issues (for example, shareholder resolution to prohibit the sale of facial recognition technology to government entities). In general, I-AM tends to support shareholder proposals when they are consistent with its global commitment, i.e., to defend fundamental rights (Global Standards), its policy on controversial activities, and its global commitment to Net-Zero. I-AM's engagement activities are divided into collaborative (through ESG research partner ISS) and individual engagement. The former focus on both thematic (e.g. Net-Zero) and standards-based issues, while the latter can take place either on an event-driven basis (ad-hoc) or through incentives (in the course of bringing about a sustainable change in values with the aim of getting the companies concerned to adapt to the I-AM minimum standards). Through ISS collaborative engagement, I-AM participates in a joint dialogue with companies on sustainability-related issues. Through collaborative engagement, I-AM strengthens its focus on ESG issues while effectively communicating with strong partners & institutions for controversies and concerns about corporate governance. For example, fostering dialogue with specific companies can increase transparency, enhance sustainability performance, or mitigate ESG risks. In 2011, I-AM was one of the first asset managers in Austria to sign the United Nations Principles for Responsible Investment (UN PRI), committing, among other things, to work with other shareholders to strengthen effectiveness. One possible form of cooperation is the "UN PRI Collaboration Platform". Through this platform, resource pooling, information sharing, as well as influence on ESG issues through collaboration among UN PRI signatories is significantly strengthened via a unique forum. By publishing contributions on the Collaboration Platform, signatories can invite others to join or support their initiative.

Detailed information on this can be found in the I-AM Dialog Strategies Policy at <https://www.impact-am.eu/en/asset-management/sustainability>.

Both voting and engagement results are also published on an annual basis at the above link.

In the area of target funds, I-AM can actively enter into dialog with their managers in order to obtain opinions in the event of outliers or significant violations or changes to the exclusion criteria defined for target funds as part of the 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 indirect influence on companies / issuers is possible via the allocated target funds.

For the microfinance funds, in addition to supporting industry initiatives and working with market peers through research provider Symbiotics S.A., engagement activities are actively pursued with the companies invested in to encourage the adoption of management practices related to social and environmental issues where risks in this regard have been previously identified.

There is no systematic restriction to individual indicators in terms of the principle adverse impacts on sustainability factors due to the holistic sustainable investment process.

The objectives of the individual engagement activities are monitored on an ongoing basis and documented regularly. Failed formal engagements do not automatically lead to exclusion from the investment universe or to de-investment. The subject of the engagement (severity) is decisive here, otherwise the failed engagement flows into the overall analysis of the company as a negative input factor.

References to international standards

Consideration of principal adverse impacts is based on a variety of sustainability indicators, including the UN SDGs, the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the Universal Declaration of Human Rights, and other international conventions and standards as appropriate.

With reference to the aforementioned internationally recognized standards, there is no systematic restriction to individual indicators for the principal adverse impacts on sustainability factors due to the holistic sustainable investment process.

Depending on the investment strategy, the data used is obtained from MSCI ESG Research, ISS and Symbiotics S.A. as external data providers.

I-AM is also one of the first signatories of the UN PRI in Austria. The six "Principles for Responsible Investment" (UN PRI) introduced by the UN in 2006 are principles for responsible investing. With them, investors and asset managers undertake to comply with environmental, social and governance criteria (ESG guidelines) relevant to the financial market in their investment activities.

In addition, I-AM manages individual ESG single funds, which have been awarded sustainability certification by FNG (Forum for Sustainable Investments). The microfinance funds, on the other hand, have the internationally recognized LuxFlag label.

I-AM sees climate change as a significant challenge for our common future and is convinced that the financial industry must and can play a key role in finding sustainable solutions. For this reason, I-AM supports measures that contribute to the mitigation of global warming based on scientific evidence and thus follow the 1.5°C Paris climate target in the long term. As part of the holistic sustainable investment process, various factors are already taken into account via negative and positive criteria, dialog strategies, etc. A detailed explanation of the I-AM Climate Change Policy is available at <https://www.impact-am.eu/en/asset-management/sustainability>.

No forward-looking climate scenario is currently used for microfinance funds, as these are funds with a social objective pursuant to Article 9 SFDR.

Historical comparison

The present statement on the principal adverse impacts of investment decisions on sustainability factors is prepared for the first time for the year 2022, as in previous reporting periods the principal adverse impacts on investment decisions on sustainability factors were not determined due to the first-time applicability for the reference period 2022. For this reason, a historical comparison to previous reporting periods cannot be made.

Note

This document has been prepared with the greatest possible care. The data basis is subject to ongoing monitoring and is updated regularly. However, the author is dependent on external sources, in particular management companies and data providers, for the data basis. Due to the sometimes limited availability, completeness or timeliness of data sets on individual investment funds for the reporting period - particularly in the case of portfolio funds - it is not possible to provide a complete picture of the principal adverse impacts of these products at the time this document was prepared.