

# Statement on principal adverse impacts of investment decisions on sustainability factors

Version 2.0, 31. December 2022

**Financial market participant:** Universal-Investment-Luxembourg S.A.,  
LEI: 529900J76YSIZNVFEG95

## Summary

Universal-Investment-Luxembourg S.A. (LEI: 529900J76YSIZNVFEG95) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Universal-Investment-Luxembourg S.A..

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

Investment decisions may cause, contribute to, or be directly associated with adverse - material or likely material - impacts on the sustainability factors (adverse impacts). These adverse impacts are made measurable by means of indicators. Principal impacts include, on the one hand, adverse impacts on the climate and other environment-related adverse impacts and on the other hand, adverse impacts in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. A distinction is made between "adverse impacts" and the "principal adverse impacts", the so called Principal Adverse Impacts ("**PAI**"), which are to be considered material due to their adverse external effects and thus to be taken into account in the investment decisions of the financial market participant.

Universal-Investment-Luxembourg S.A. ("Universal Investment") is part of the Universal Investment Group, the largest independent fund service platform in the German-speaking region, and as a financial market participant is subject to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector ("**Disclosure Regulation**") and Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 ("**Delegated Regulation**").

The following describes the principal adverse impacts of investment decisions on sustainability factors, the strategies for identifying and weighting these principal adverse impacts on sustainability factors and the engagement policy, with reference to recognised international standards.

For this statement, principal adverse impacts of investment decisions related to funds managed by Universal Investment are considered. Accordingly, investment decisions related to the investment of Universal Investment's own funds are not covered.

For Universal Investment funds, the 18 so-called mandatory indicators from the Delegated Regulation (climate and other environment-related indicators, as well as indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters), as well as 6 additional opt-in indicators have been defined as indicators for principal adverse impacts. Depending on the focus of the investment policy of the fund, (i) indicators for investments in investee companies, (ii) indicators for investments in sovereigns (and supranational organisations), or (iii) indicators for investments in real estate assets are taken into account in investment decisions.

The ability to consider the principal adverse impacts depends largely on the availability of relevant information in the market. The required data is not available to a sufficient extent and in the required quality for all assets in which Universal Investment invests via the managed funds and mandates. Particularly for securities, the data provider MSCI ESG is used to calculate the PAI indicators for investee companies as well as sovereigns and supranationals. The identification of relevant PAIs and their calculation is more complex for alternative asset classes, such as microfinance or infrastructure, as no standardized PAIs are available here. Universal Investment advocates, in particular through

association work, for the development of marketable and robust standards for the collection and calculation of PAI for further asset classes.

In accordance with the requirements of the Delegated Regulation, the statement of the respective (quantitative) impacts of each indicator in the reference period, any related explanations as well as the description of the actions taken in this period and the actions planned or targets set for the subsequent reference period to avoid or reduce the identified principal adverse impacts, will be made by June 30, 2023.

Universal Investment has implemented processes and procedures to consider the principal adverse impacts of investment decisions on sustainability factors, e.g. by requiring assigned portfolio managers or investment advisors to consider PAI using a best-effort approach. In addition, funds that classify as Funds under Article 8 of the Disclosure Regulation (funds with environmental and/or social characteristics) or funds that classify as Article 9 of the Disclosure Regulation (funds that only invest in sustainable investments) may define specific PAI to be considered at the fund level in the pre-contractual documents and the consideration is being reported in the respective annual report of the fund. Universal Investment also prohibits to invest in issuers that produce cluster munitions in accordance with the UN Convention or to trade derivatives on agricultural commodities.

The engagement policy of Universal Investment is exercised in the form of voting rights. As part of its function as a fund service platform, Universal Investment is committed to the Principles for Responsible Investment (PRI) as a service provider and is a member of ALFI (Association of The Luxembourg Fund Industry ) in order to further promote sustainability issues and the transformation in the Sustainable Finance area. In addition, a forward-looking climate scenario is being developed.

The German version of Universal Investment's statement on the principal adverse impacts of its investment decisions on sustainability factors is available here: [https://www.universal-investment.com/-/media/Compliance/PDF/Luxembourg-German/Erklarung-zu-den-wichtigsten-nachteiligen-Auswirkungen\\_UIL\\_DE\\_12-2022\\_V2.pdf](https://www.universal-investment.com/-/media/Compliance/PDF/Luxembourg-German/Erklarung-zu-den-wichtigsten-nachteiligen-Auswirkungen_UIL_DE_12-2022_V2.pdf)

In addition, as of June 30, 2023, the summary will also be made available in one of the official languages of host member states when Universal Investment funds are being made available in those countries.

**Description of the principal adverse impacts on sustainability factors**
**Indicators applicable to investments in investee companies**

Adverse sustainability indicator	Metric	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>		
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average

INDICATORS FOR 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
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	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

### Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric
Environmental	15. GHG intensity	GHG intensity of investee countries
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

### Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric
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Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets

### Other indicators for principal adverse impacts on sustainability factors

#### Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
<b>Indicators applicable to investments in investee companies</b>		
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>		
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
<b>Indicators applicable to investments in sovereigns and supranationals</b>		
Green securities	17. Share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds
<b>Indicators applicable to investments in real estate assets</b>		
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter

#### Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric

Indicators applicable to investments in investee companies		
Human Rights	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis
Indicators applicable to investments in sovereigns and supranationals		
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column

In accordance with the requirements of the Delegated Regulation, the statement of the respective (quantitative) impacts of each indicator in the reference period, any related explanations as well as the description of the actions taken in this period and the actions planned or targets set for the subsequent reference period to avoid or reduce the identified principal adverse impacts, will be made by June 30, 2023.

### Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The determination of the principal adverse impacts on sustainability factors is carried out according to the requirements of the Delegated Regulation. It divides the indicators into a core set of universal mandatory indicators (mandatory indicators) that will always lead to principal adverse impacts and additional opt-in indicators (optional indicators) to identify, assess and prioritise the consideration of additional principal adverse impacts.

Since the mandatory indicators, irrespective of the result of the assessment by Universal Investment, always lead to principal adverse impacts of investment decisions on sustainability factors, these indicators were identified as material and are to be considered. In addition, for investee companies, as well as for sovereigns and supranational organisations, Universal Investment has selected one additional indicator for climate and other environmental adverse aspects, as well as one additional indicator in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. For real estate, one additional indicator for climate and other environmental adverse aspects was identified. The optional indicators were evaluated in and selected on basis their severity of their potential negative impact and also particularly in terms of their data availability.

As a fund service platform, Universal Investment launches funds for institutional investors and fund initiators and handles administration, among other things. The consideration of the principal adverse impacts on sustainability factors covers all funds managed by Universal Investment. On the one hand, there are funds that are managed directly by Universal Investment. In this case, investment decisions may be supported by investment recommendations of external advisors, which are evaluated by Universal Investment. On the other hand, the portfolio management of funds may be outsourced to other companies outside the group. The portfolio management of Universal-Investment Luxembourg S.A. Niederlassung Frankfurt am Main may also act as an outsourced manager for companies outside the Group.

Universal Investment has implemented processes and procedures to consider sustainability risks and the principal adverse impacts of investment decisions on sustainability factors in accordance with

Article 4 of the Disclosure Regulation into the investment management processes for all asset classes and assets in accordance with the obligations under Commission Delegated Regulation (EU) 2021/1255 of 21 April 2021 amending Delegated Regulation (EU) No 231/2013 as regards the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers and Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS).

Where portfolio management has been outsourced by Universal Investment in the case of funds or fund segments, portfolio managers themselves have been required to take into account at company level the principal adverse impacts as defined in Article 4 of the Disclosure Regulation and to implement them operationally in their investment management processes in relation to Universal Investment funds. Similarly, investment advisors providing investment recommendations for Universal Investment funds have been required to operationally implement the necessary processes to consider the principal adverse impacts. Consideration may be based on data from appropriate data providers or through other appropriate measures by portfolio managers or appointed investment advisors, if and to the extent that data/information is available on a best-effort basis. Other optional sustainability indicators will be considered at the discretion of the portfolio manager or investment advisor. Issuers or companies that are to be rated very negatively with regard to individual mandatory indicators or those of the optional indicators shall only be acquired or held for funds of Universal Investment on the basis of a justified analysis. In this way, principal adverse impacts of investment decisions on sustainability factors are taken into account at the fund level of all Universal Investment funds.

In addition, the fund-specific fund rules and, where applicable, investment guidelines can specify how ESG criteria are taken into account in the investment decision-making process. This is intended to supplement the control of funds with rules relating to certain individual investments. Depending on the client's wishes and mandate, sustainability risks and PAI are explicitly considered in the investment processes of the securities mandates of Universal-Investment-Luxembourg S.A. Niederlassung Frankfurt am Main. Dedicated analysis tools are available for identifying and defining sustainability criteria, exposure, and risks. In addition, various sustainable index concepts are used as the basis for the investment universe or for illustrating the index properties in the fund. All regular equity and bond mandates can be optionally equipped with an ESG approach – if desired, also customised according to investor requirements

For funds as defined in Article 8 Disclosure Regulation, a binding consideration of PAI indicators may be made. If such a binding consideration exists, the corresponding PAI indicators as well as the strategies for their consideration shall be disclosed in the pre-contractual documents as well as in the annual reports.

Funds as defined in Article 9 of the Disclosure Regulation or Article 8 funds that make proportionate sustainable investments must disclose in pre-contractual documents, on the website and in the annual reports how the fund complied with the 'do not significant harm' principle in Article 2, point (17), of the Disclosure Regulation in relation to the principal adverse impact indicators in Annex I of the Delegated Regulation. Accordingly, for such funds, PAI consideration is binding and the corresponding fund-specific indicators are also disclosed in the funds' annual report.

If a non-binding consideration of PAI indicators exists for individual funds or mandates, this will also be disclosed in the pre-contractual documents as well as the annual reports of the funds.

As a specific action taken to reduce adverse impacts on the "respect for human rights", Universal Investment has decided to exclude securities from issuers that produce cluster munition as defined by UN convention in their investment decision-making process. A considerable proportion of this type of munition remains as unexploded ordnance and can result in innocent victims for years after combat. Cluster munitions are internationally outlawed or banned by various treaties, making their use illegal in many countries. In this context, Universal Investment works with a specialised external data provider to always have an up-to-date list of companies involved in the production of these weapons. This list is updated quarterly and forms the basis for systemic exclusion, which is implemented at group level and includes all subsidiaries. The exclusion of manufacturers of cluster munitions applies to all funds of Universal Investment and is monitored as part of regular investment compliance check. Currently, the provision of the list via MSCI ESG is under consideration in order to use the same data

basis for the reporting of the PAI indicator as well as the exclusion of issuers/companies involved in the production or distribution of cluster munitions.

Likewise, Universal Investment does not want to participate in food speculation, as speculation on agricultural commodities, especially on staple foods, was responsible for sharp price jumps in the past and thus contributed to global food crisis. Therefore, derivatives trading on agricultural commodities is excluded by Universal Investment.

In the product area of portfolio management services (transition management, collateral pool management, liquidity management), sustainability criteria and factors do not usually play a significant role due to the product structure. In addition to the pre-investment-policy, further obligations are set out in fund-specific investment guidelines to ensure that investment decisions are in line with the objectives, investment strategies and risk limits of the respective fund. Depending on the client's wishes and mandate the guidelines may include sustainability risks as well as the avoidance of principal adverse impacts.

For measuring, analyzing and ranking the indicators identified by Universal Investment in terms of principal adverse impacts, the data provider MSCI ESG is used, especially in the securities area for PAI indicators for companies as well as sovereigns and supranational organizations. As of June 2022, MSCI SFDR Adverse Impact Metrics covered approximately 10,100 equity and fixed income issuers, including constituents of the MSCI ACWI Investable Market Index. Coverage is gradually being added by MSCI and the underlying methodology is being improved. MSCI's approach to data is to collect readily available data from company disclosures, contact companies directly to validate the data, and use estimates of data where company disclosures are not available.

The ability to consider principal adverse impacts depends to a large extent on the availability of corresponding information in the market. The required data for assets in which Universal Investment funds and managed mandates invest is not available to a sufficient extent and in the desired quality. Universal Investment regularly reviews the data situation to ensure that principal adverse impacts are considered in investment decisions. In addition, Universal Investment is expanding its sustainability analysis capabilities in the areas of environment, social and governance (ESG). For investments in real assets and real estate, Universal Investment is working on structures and processes to collect the relevant data directly in the future. In particular, the calculation and allocation of the most material PAI is more complex for alternative asset classes, such as microfinance or infrastructure, as no standardized PAI is available. Universal Investment is committed to developing marketable and robust standards for the collection and calculation of PAI for other asset classes, in particular through its association work.

Furthermore, Universal Investment is working on an ESG risk module, which will visualize, measure and report on inherent sustainability risks and principal adverse impacts of investment decisions.

Universal Investment is aware of the increasing requirements for sustainable investments and the associated expectations that sustainability criteria is taken into account accordingly in the investment guidelines. Therefore, the guidelines are regularly reviewed and further developed. In order to live up to its social responsibility, the topic of sustainability prominently complements the long-term business strategy of Universal Investment and regular reports are made on the remediation of principal adverse impacts.

The strategies for identification and prioritization of principal adverse impacts were initially approved by Universal Investment's senior management on March 10, 2021. Ongoing regular and ad-hoc updates by functional departments are made in consultation with and confirmation by senior management.

### **Engagement policies**

The engagement policy of the KVG is exercised in the form of voting rights.

As part of the largest independent fund service platform among German-speaking countries, Universal Investment manages capital investments for investors, including many investments for private and company pension schemes. To safeguard investors' interests and fulfil the associated responsibility, Universal Investment exercises the shareholder rights associated with the stock



portfolio held on behalf of the managed investment funds for the benefit of investors and to promote good corporate governance.

Universal Investment or service providers contracted by it exercise voting rights on the basis of the voting guidelines specified by Universal Investment. These guidelines are based on the criteria of a transparent and sustainable corporate governance policy (ESG) and other environmental (ESG) and social (ESG) criteria focused on the long-term performance of the companies held by the investment funds ("Portfolio Companies"). Following the voting guidelines also avoids conflicts of interest that may arise due to third parties, the contracting of third parties or the interests of Universal Investment.

The principles of Universal Investment's Engagement Policy affect certain adverse impacts, in particular climate and other environmental-related indicators, such as greenhouse gas emissions, or indicators in respect to social and human rights areas, such as diversity or the principles of the UN Global Compact. If there is no evidence of a reduction in principal adverse impacts over multiple reporting periods, Universal Investment will consider revising its participation policy accordingly.

For more information on Universal Investment's participation policy and the annual participation report, please see Universal Investment's website <https://www.universal-investment.com/en/Corporate/Compliance/Germany/>.

A portfolio manager, if portfolio management is outsourced, or an appointed investment advisor, if applicable, may take further action to meet environmental and/or social characteristics as part of their corporate engagement activities. However, this engagement is not done on behalf of Universal Investment or the Fund.

### References to international standards

The management of Universal Investment is working to align all corporate activities in such a way that they are sustainable and valuable for the society in which we live and for our environment. A Code of Conduct has been developed for this purpose and is available on the Universal Investment website.

In Luxembourg, Universal Investment is also a member of ALFI, the "Association of The Luxembourg Fund Industry", which represents the Luxembourg asset management and investment fund industry. As a central platform for institutional investors and fund initiators, Universal Investment is a fundamental component of the financial industry. To live up to the high level of responsibility, Universal Investment has actively committed itself as service provider to the Principles for Responsible Investment (PRI). This voluntary commitment developed by the United Nations aims to give greater consideration to environmental, social and governance factors in investment decisions. As a fund service platform, Universal Investment has consciously abstained from an own active asset management. That is why PRI principles four to six are of decisive importance to Universal Investment. Therefore, raising awareness of sustainability issues in the industry, actively helping to shape sustainability measures and their further development are just as important as supporting clients in the transformation to sustainable investing.

Universal Investment's compliance with international standards is not directly linked to individual PAI indicators. Therefore, there is no measurement of compliance with international standards based on individual PAI indicators, nor can methods or data for measuring the adherence or alignment with these standards be disclosed.

Currently, Universal Investment is working to establish a forward-looking climate scenario. Understanding the impact of climate change, including on key economic variables (e.g., supply chain disruption due to extreme weather, labor migration due to natural disasters, etc.), will be an integral component of assessing the resilience of funds and their sustainability risks in the future.

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