
ESG Concept

2nd Quarter 2024

Presentation of the ESG concept for funds within scope of Article 8 of Regulation (EU) No. 2019/2088 managed by Kathrein Privatbank AG and Kathrein Capital Management GmbH

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1

ESG Strategy

The sustainable fund line managed by Kathrein Privatbank AG and Kathrein Capital Management GmbH are investments within scope of Article 8 of Regulation (EU) No. 2019/2088.

Our funds promote ESG characteristics. Those characteristics are considered by applying social, ethical and environmental negative and positive criteria in the selection process. Potential investments must meet at least our sustainability criteria, which is called the "Kathrein Standard". However, no sustainable investments within the meaning of the EU Taxonomy regulation are made or sustainable investment objectives will be pursued. The fund line includes also investment products that comply with the "Guidelines for Ethical Investments" issued by the Austrian Bishops' Conference and the Austrian Religious Orders (FinAnKo).

In addition to the legal requirements, we also assign great importance to independent certifications. If the audit is passed successfully, the investment products are permitted to carry a sustainability label (e.g., the Austrian ecolabel).



Kathrein Privatbank AG and Kathrein Capital Management GmbH cooperate with ISS ESG in the area of ESG research.

The ESG approach is valid for sustainable funds of Kathrein Privatbank AG as well as for funds of Kathrein Capital Management GmbH. Kathrein Capital Management is a wholly owned subsidiary of Kathrein Privatbank AG.

ISS ESG is one of the world's leading research and rating agencies with a well-established rating methodology. ISS ESG provides us with ESG data (e.g., ESG ratings, carbon risk data), analyst opinions and controversy screening. In addition, the carbon footprint of selected products is measured in cooperation with ISS ESG.

Avoidance of conflicts of interest between portfolio management and research through external professional and independent research. Therefore, the process enables full independence throughout the whole rating process.



Market experience since 1993, partner of more than 780 asset managers and institutional investors

Coverage: over 7,000 companies and government-related issuers as well as over 120 sovereigns

Offices: Europe including Munich as HQ as well as in Asia and USA

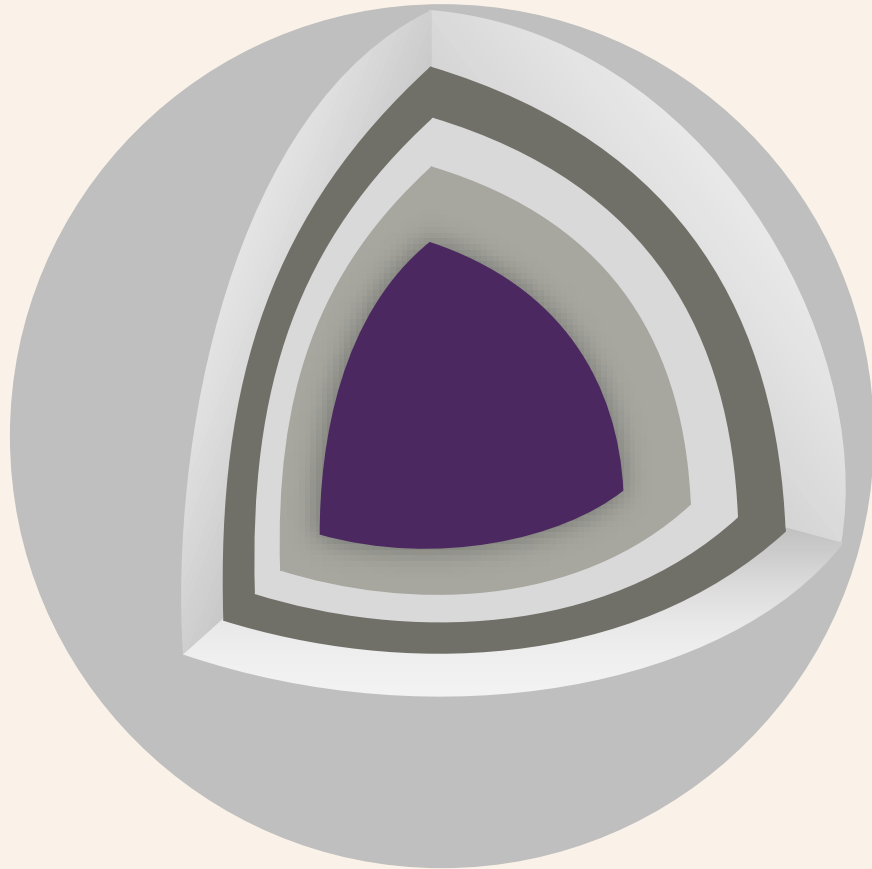
Employees: 400+, of which analysts: 180+ in 30 languages

2018: Merger of oekom research and Institutional Shareholder Services (ISS) to form ISS-oekom.

2019: Rebranding to ISS ESG

Mandated exclusively by investors

No consulting services to companies with regards to rating improvement and no other services (e.g., financial research)



Illustrative presentation of how the investment universe is derived:

1. Initial universe: Investment universe corresponding to the investment focus (e.g., listed corporates, sovereigns)
2. Negative criteria: List of exclusion criteria, aiming at business practices and business areas, applicable to all companies or countries.
3. Positive criteria: Companies and countries must fulfill our best-in-class criteria to be considered for investment.
4. Subfunds: Investments must follow a proofed sustainability strategy (e.g., comply with the Austrian Ecolabel)
5. Investment universe: All remaining companies or sovereigns comply with the Kathrein Standard. Applying financial selection criteria (e.g., in-house models, fundamental data).
6. Portfolio construction: Based on the investment universe, the corresponding portfolio is built.

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Negative Criteria

The negative criteria are integrated into the sustainability process with the help of exclusion criteria.

The exclusion criteria for companies consist of economic practices and business activities.

Violations in economic practices are classified according to a four-level scale (possible - slight - severe - very severe). For business activities, turnover thresholds are targeted.

Rigorously excluded are all those companies where severe violations in the areas of human rights, labour rights, environmental behaviour and business conduct (accounting, money laundering and corruption) are identified according to the categorisation on the right.

Business Practices		
Category	Threshold	Scope
Human Rights	severe	Direct Involvement, Supply Chain and Financier
Labour Rights	severe	Direct Involvement and Supply Chain
Environment	severe	Direct Involvement, Supply Chain and Financier
Business Malpractice - Accounting	severe	Direct Involvement
Business Malpractice - Bribery	severe	Direct Involvement
Business Malpractice - Money Laundering	severe	Direct Involvement

Further exclusions are made depending on the share of revenue in the individual business areas. Funds complying with the "Guidelines for Ethical Investments" issued by FinAnKo have an even stricter set of criteria (it can be found in the appendix).

Business Activities		
Topic	Negative criteria (exclusion criteria)	Starting from
Fossil Fuels	Mining and production of coal (including thermal and metallurgical coal)	0.0%
	Unconventional extraction methods (high-volume fracking or oil sands)	1.0%
	Service related to the production of coal (including thermal and metallurgical coal), Power generation from coal, processing of coke, coal liquefaction and coal gasification, Extraction and refining of crude oil and energy production from it, Extraction and production of natural gas	5.0%
Nuclear Power	Operation of nuclear reactors or uranium mining	0.0%
	Service (supply of material components, technical support, maintenance and disposal of nuclear waste)	5.0%
Stem Cell Research	Stem cell research using human embryonic stem cells, human cloning research or contract research organisation	any involvement
Genetically Modified Organism (GMO)	Distribution of genetically modified plants and animals for agricultural use	0.0%
	Production of genetically modified plants and animals for agricultural use	5.0%
Weapons and Armaments	Controversial weapons (e.g. chemical weapons, nuclear weapons, etc.) or related key components	any involvement
	Production of civilian firearms and services, Production of military goods for combat use and related	0.0%
	Distribution of civilian firearms, Production of military goods not for combat use and related services,	5.0%
Addictions	Pornography production	0.0%
	Pornography distribution, Production, distribution or service related to gambling, Production or service related to tobacco, Alcohol production	5.0%
	Distribution of alcohol or tobacco	10.0%

Countries are assessed based on a specific set of criteria being part of the Kathrein Standard. Funds complying with the "Guidelines for Ethical Investments" issued by FinAnKo have an even stricter set of criteria (it can be found in the appendix).

Topic	Negative criteria
Labour rights	Low working conditions in terms of minimum wages, working hours, health and
Nuclear power	Nuclear energy share of 10% of primary energy consumption, there is neither a phase-out decision nor a moratorium in place
Nuclear weapons	Possession of nuclear weapons according to SIPRI, failure to sign the Treaty on the Non-Proliferation of Nuclear Weapons
Authoritarian Regime	Classification as "not free" according to Freedom House
Biodiversity	Non-ratification of the UN Convention on Biological Diversity
Discrimination	Massive restriction of equality (e.g., of women, people with disabilities or ethnic minorities)
Money Laundering	Classification as "non-cooperative" according to the OECD Financial Action Task Force on Money Laundering
Child Labour	Employment of children is common
Climate Protection	Non-ratification of the Kyoto Protocol and the Paris Agreement
	Inadequate climate protection performance (Germanwatch climate protection index smaller than 40)
Corruption	Transparency International corruption index less than 40
Human Rights	Massive and systematic violation of human rights
Military Budget	Armaments budget as a share of GDP greater than 3%.
Freedom of Speech and Press	Massive restriction of freedom of the press and freedom of expression
Death Penalty	Death penalty not completely abolished according to Amnesty International
Freedom of Association	Massive restriction of the freedom of assembly

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Positive Criteria

Best-In-Class Approach

POSITIVE CRITERIA

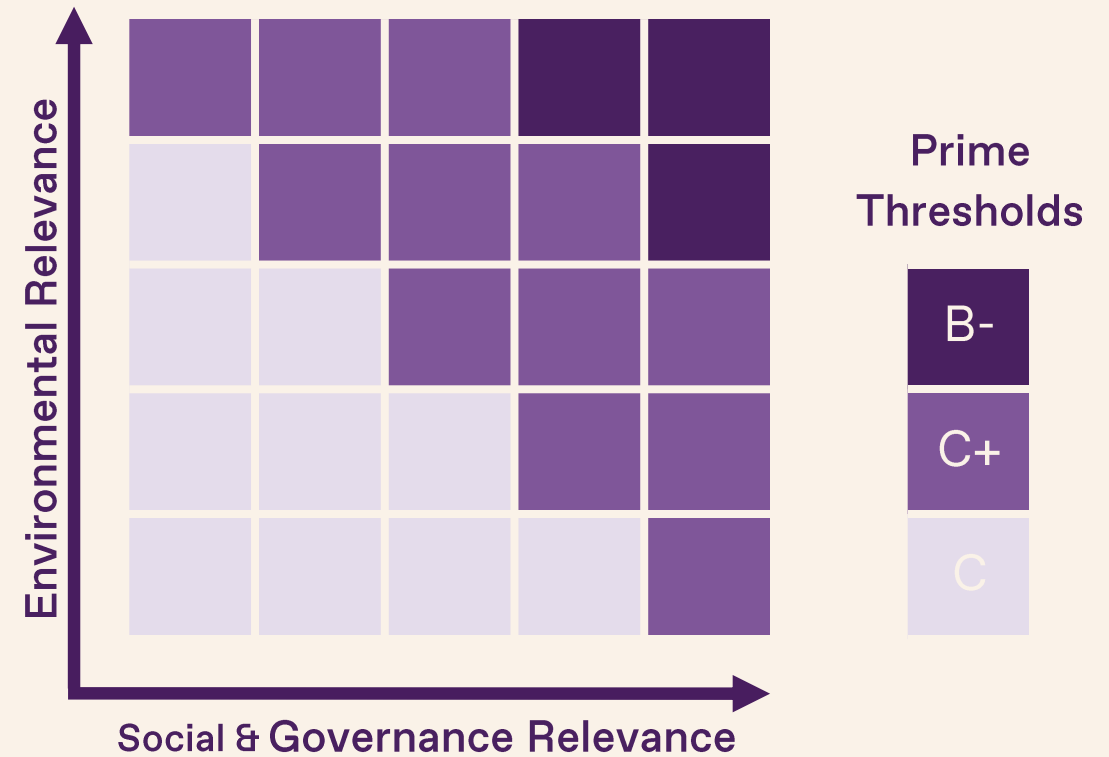
The stock selection is not only based on exclusion criteria (negative criteria).

The Kathrein Standard is also based on the selection of the investment universe according to positive criteria in the form of a "best-in-class" screening.

The assessment of social and ecological performance is based on over 100 selected social and ecological criteria (positive criteria).

The results can be used to draw up a ranking list of the countries and companies examined within a sector and to identify the frontrunners (defined on the basis of a minimum rating - the "prime threshold").

The best-in-class approach can also be derived from the "prime threshold" ("prime minus one"), i.e. the companies must be at or above the best-in-class threshold in order to be considered for an investment.



The higher the environmental or social & governance relevance of an industry, the higher the minimum rating threshold for the industry in question.

Social & Governance Relevance		
Employees and Suppliers	Corporate Governance & Business Ethics	Society & Product Responsibility
Freedom of association	Independent supervisory bodies	Protection of human rights
Equality	Sustainability	Social engagement
Health and safety	Corporate governance	Political influence
Work-Life Balance	Shareholders' rights	Dialogue with stakeholders
Remuneration	Transparent executive board salaries	Responsible marketing practices
Workplace security	Shareholder structure	Data privacy
Education and trainings	Code of ethics	Product safety
Standards for suppliers		Social impact of the product portfolio
Control of suppliers		
Support for suppliers		

Environmental Relevance		
Environmental Management	Eco-Efficiency	Products & Services
Environmental management system	Energy efficiency	Environmental impact of the portfolio
Energy management	Water efficiency	Biodiversity
Climate protection	Material efficiency	Raw materials
Impact on the water balance	Greenhouse gas intensity	Product life cycle
Business travel and transport	Waste intensity	Material efficiency
Environmental aspects in the supply chain	Air and water pollution intensity	Substance of concern
Green procurement		Product packaging

The assessment of social and environmental performance of countries is based on several selected social and environmental criteria.

Social & Governance Relevance		
Political system and government	Human rights and fundamental rights	Social environment
Political system	Protection of civil and political rights	Health
Government	Non-discrimination	Education and communication
Corruption and money laundering	Gender equality	Labour
Political stability		Social cohesion
Environmental Relevance		
Natural resources	Climate change and energy	Production and consumption
Land use	Climate change	Agriculture
Biodiversity	Energy	Industry
Water		Transport
		Private consumption

The rating threshold to be considered a leading company varies by industry. The higher the environmental, social and governance relevance, the higher the required minimum rating to be considered as best-in-class.

Rating Industry	Number of Entities	Best-in-Class Threshold	Top 3 per Industry								
Telecommunications	146	C	Magyar Telekom Telecommunications Plc	HU	B	Swisscom AG	CH	B	Vodafone Group Plc	GB	B
Industrial Machinery & Equipment	197	C	Kone Oyj	FI	B-	Trane Technologies Plc	IE	B-	Voith GmbH & Co. KGaA	DE	B-
Commercial Banks & Capital Markets	300	C-	Danske Bank A/S	DK	C+	Swedbank AB	SE	C+	Raiffeisen Bank International AG	AT	C+
Paper & Forest Products	44	C	Stora Enso Oyj	FI	B	UPM-Kymmene Oyj	FI	B	Mondi Plc	GB	B-
Electric Utilities	129	C+	Orsted A/S	DK	A-	ERG SpA	IT	B+	EDP-Energias de Portugal SA	PT	B+
Sovereign	178	C+	Sweden	SE	B+	Denmark	DK	B+	Norway	NO	B

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ESG Oriented Examples

The following examples show sustainability-oriented companies or countries and fulfil the requirements of the Kathrein Standard. The examples show positive environmental and social characteristics but are not intended to be understood as environmentally sustainable activities in the sense of the EU Taxonomy Regulation. Moreover, the issuers are still associated with sustainability and financial risks.

At the time of preparation, the examples do not exhibit any violations in the area of economic practices or exclusion criteria due to business activities in accordance with our sustainability requirements.

Furthermore, they fulfil our best-in-class requirements, i.e., the respective companies or countries are above the defined rating threshold and thus belong to the top group of their industry. The text excerpts have been taken from the respective ISS ESG reports. The list is not exhaustive.



Sustainable Development Goals (SDGs) / Sustainable Development Goals (available for companies only)

The left-hand side of the chart shows whether the achievement of the SDGs is obstructed or promoted.

If the dark bar is predominant, the overall contribution is positive (measured using the numerical SDG Solutions Score: Overall Score).

The SDG Solutions Score is aimed at companies.



Environment Social Governance Rating (ESG Rating)

The right-hand side of the chart shows the numeric rating in total as well as in the respective segment. The higher the bar, the better.

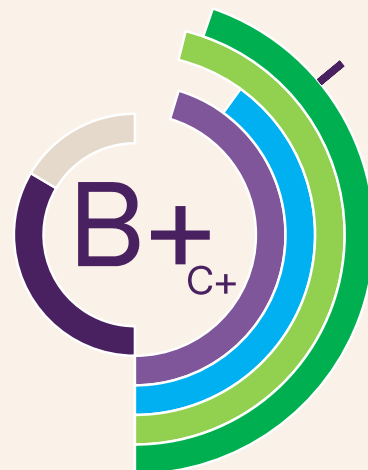
- ESG Rating Overall (dark green)
- Environmental Rating (light green)
- Social Rating (blue)
- Governance Rating (purple)

The inner area presents the overall alphabetical ESG rating. The "X" represents the ESG rating as such, the "BiC" is the prime threshold, and the BiC (num.) is the threshold (numeric). The higher, the better.

Positive assessment and its components explained visually.

ERG SpA

Industry: Electric Utilities
Country: Italy
Transparency Level: Very high



Sustainability Risks:

- ❖ The chairman of the board is not independent, however, a lead independent director has been appointed.

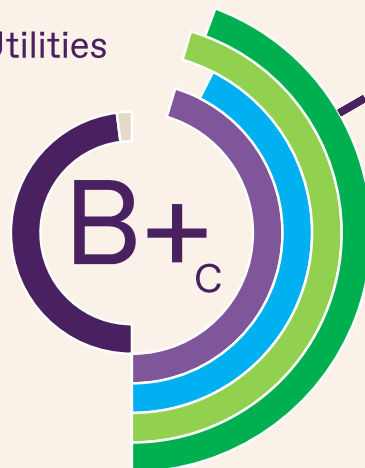
ERG, formerly involved in the oil downstream sector, has transitioned to a clean energy producer. In 2021, 61.8% of its electricity came from wind power, 31.1% from natural gas, and 7.17% from solar power. They plan to expand renewable capacity (2.2 GW by 2026) via greenfield projects and acquisitions while selling their CCGT plant to exit natural gas generation.

ERG committed to SBTi-approved greenhouse gas reduction targets: a 72% reduction in scope 1 and 2 GHG emissions intensity by 2027 and a 70.4% reduction in scope 1 and 3 GHG emissions intensity related to electricity sales. They emphasize environmental management and safety.

Governance includes independent board members, committees, and a sustainability committee. Sustainability performance affects executive compensation, focusing on health, safety, and workforce diversity. ERG has established ethical guidelines and robust compliance measures, including anti-corruption protocols.

Severn Trent Plc

Industry: Water and Waste Utilities
Country: Great Britain
Transparency Level: Very high



Sustainability Risks:

- ❖ In 2022, the company's drinking water leakage rate was 21.22%, however, the company plans to reduce it.
- ❖ The company reports decreasing accident rate among employees and zero fatalities. Yet, the accident rate has increased among contractors.

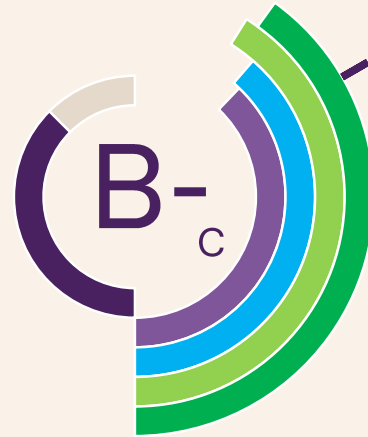
Severn Trent, a UK-based water and wastewater services provider, also offers renewable energy generation and sludge treatment. It addresses global water access challenges, supports WaterAid's clean water projects, and generates renewable energy from various sources. Challenges include water sustainability, leakage reduction, wastewater purification, and sewage sludge disposal.

Severn Trent manages water resources comprehensively, considering climate change and biodiversity. They have Science-Based initiative-approved greenhouse gas reduction targets and prioritize safety, reporting decreasing employee accidents but an increase among contractors.

Governance focuses on independence and discloses executive remuneration policies with long-term incentives for sustainability. A sustainability committee integrates objectives into executive remuneration, covering leakage, accidents, and renewable energy. Ethical practices include a code of conduct and robust compliance measures.

Netherlands

GDP/capita (2020): \$ 57.101,36
Income Group: High Income
Capital City: Amsterdam



Sustainability Risks:

- ❖ The country faces issues related to financial secrecy, money laundering, and corporate tax evasion.
- ❖ Discrimination against minorities and gender disparities persist.

The Kingdom of the Netherlands is a stable constitutional monarchy with a parliamentary democracy. It has a well-functioning democracy, low corruption levels, and a strong rule of law. Human rights and freedoms are generally respected.

Netherlands boasts a robust education, healthcare, and social security system, resulting in high life expectancy and low income inequality. Labor rights are protected, and unemployment rates are low.

Environmental concerns include high greenhouse gas emissions, marine pollution, and unsustainable consumption patterns, although the country is working on climate change policies.

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Sustainable Investment Funds

Fixed Income Funds	Asset Management Company	Classification according to Regulation (EU) No. 2019/2088	Class	ISIN	ESG Strategy
HYPO-Rent	Kathrein Capital Management GmbH	Article 8	R DIST	AT0000857503	Kathrein Standard + FinAnKo
			R ACC	AT0000611157	
Kathrein Sustainable Euro Bond	Kathrein Privatbank AG	Article 8	R DIST	AT0000779764	Kathrein Standard
			R ACC	AT0000779772	
			I ACC	AT0000A0ETK1	
Kathrein Sustainable US-Dollar Bond	Kathrein Privatbank AG	Article 8	R DIST	AT0000A0C8Y5	Kathrein Standard
			R ACC	AT0000A0C8Z2	
			I ACC	AT0000A2KQU9	
Kathrein Sustainable EM Local Currency Bond	Kathrein Capital Management GmbH	Article 8	R DIST	AT0000A2HUA9	Kathrein Standard + FinAnKo
			R ACC	AT0000A2HU83	
			I ACC	AT0000A2HU91	
Kathrein Sustainable Bond Classic	Kathrein Capital Management GmbH	Article 8			Kathrein Standard
			I DIST	AT0000A20CF8	
Kathrein Sustainable Bond Select	Kathrein Capital Management GmbH	Article 8	R DIST	AT0000A2HUX1	Kathrein Standard
			I DIST	AT0000A2EGB3	
			I ACC	AT0000A1PY31	

Balanced Funds	Asset Management Company	Classification according to Regulation (EU) No. 2019/2088	Class	ISIN	ESG Strategy
MI Multi Strategy SRI	Kathrein Capital Management GmbH	Article 8	R DIST	AT0000506175	Kathrein Standard
			R ACC	AT0000617105	
			I DIST	AT0000A0UB24	
Kathrein Sustainable Dynamic Value	Kathrein Capital Management GmbH	Article 8	R DIST	AT0000620240	Kathrein Standard

Equity Funds	Asset Management Company	Classification according to Regulation (EU) No. 2019/2088	Class	ISIN	ESG Strategy
Kathrein Sustainable Global Equity	Kathrein Capital Management GmbH	Article 8	R ACC	AT0000A0V6J7	Kathrein Standard
			I ACC	AT0000A0V6K5	
			I ACC	AT0000A2HUW3	
Kathrein Sustainable Global Megatrends	Kathrein Privatbank AG	Article 8			Kathrein Standard

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Appendix

Funds complying with the Kathrein Standard and the "Guidelines for Ethical Investments" issued by FinAnKo exclude investments related to violations in the following areas:

Business Practices		
Category	Threshold	Scope
Human Rights	severe	Direct Involvement, Supply Chain and Financier
Labour Rights	severe	Direct Involvement and Supply Chain
Environment	severe	Direct Involvement, Supply Chain and Financier
Business Malpractice - Accounting	severe	Direct Involvement
Business Malpractice - Bribery	severe	Direct Involvement
Business Malpractice - Money Laundering	severe	Direct Involvement
Business Malpractice - Anti-Competitive Behaviour	severe	Direct Involvement

Funds complying with the Kathrein Standard and the "Guidelines for Ethical Investments" issued by FinAnKo exclude investments generating revenues in the following areas:

Business Activities		
Topic	Negative criteria (exclusion criteria)	Starting from
Fossil Fuels	Mining and production of coal (including thermal and metallurgical coal), Unconventional extraction methods (high-volume fracking or oil sands), extraction of natural gas, extraction of	0.0%
	Service related to the production of coal (including thermal and metallurgical coal), Power generation from coal, processing of coke, coal liquefaction and coal gasification, Refining of crude oil and energy production from it	5.0%
Nuclear Power	Operation of nuclear reactors, uranium mining or related services (supply of material components, technical support, maintenance and disposal of nuclear waste)	0.0%
Stem Cell Research	Stem cell research using human embryonic stem cells, human cloning research or contract research organisation	any involvement
Genetically Modified Organism (GMO)	Distribution of genetically modified plants and animals for agricultural use	0.0%
	Production of genetically modified plants and animals for agricultural use	10.0%
Hazardous Substances	Production of hazardous pesticides	5.0%
	Production of hazardous substances	acc. to REACH Authorisation List
Life	Production and distribution of abortifacients, Production of contraceptives	0.0%
	Abortion, Active Euthanasia	any involvement
	Production of pharmaceuticals related to Euthanasia	5.0%

Funds complying with the Kathrein Standard and the "Guidelines for Ethical Investments" issued by FinAnKo exclude investments generating revenues in the following areas:

Topic	Business Activities	
	Negative criteria (exclusion criteria)	Starting from
Animal Welfare	Animal testing, Factory farming	any involvement
	Production and distribution of fur	0.0%
Weapons and Armaments	Controversial weapons (e.g. chemical weapons, nuclear weapons, etc.) or related key	any involvement
	Production of civilian firearms and services, Production of military goods for combat use and related services	0.0%
	Distribution of civilian firearms, Production of military goods not for combat use and related services, Distribution of military goods	5.0%
Addictions	Pornography production or distribution, Production and distribution of gambling, Production of tobacco, Production of violent video games	0.0%
	Services related to gambling, Distribution of and services related to tobacco, Alcohol production or distribution	5.0%

Funds complying with the Kathrein Standard and the "Guidelines for Ethical Investments" issued by FinAnKo exclude countries from investment having at least one violation in the following areas:

Topic	Negative criteria
Labour rights	Low working conditions in terms of minimum wages, working hours, health and
Nuclear power	Nuclear energy share of 10% of primary energy consumption, there is neither a phase-out decision nor a moratorium in place
Nuclear weapons	Possession of nuclear weapons according to SIPRI, failure to sign the Treaty on the Non-Proliferation of Nuclear Weapons
Authoritarian Regime	Classification as "not free" according to Freedom House
Biodiversity	Non-ratification of the UN Convention on Biological Diversity
Discrimination	Massive restriction of equality (e.g., of women, people with disabilities or ethnic minorities)
Euthanasia	Legalization of active euthanasia for terminally ill people
Money Laundering	Classification as "non-cooperative" according to the OECD Financial Action Task Force on Money Laundering
Child Labour	Employment of children is common
Climate Protection	Non-ratification of the Kyoto Protocol and the Paris Agreement
	Inadequate climate protection performance (Germanwatch climate protection index smaller than 40)
Corruption	Transparency International corruption index less than 50
Human Rights	Massive and systematic violation of human rights
Military Budget	Armaments budget as a share of GDP greater than 2%
Freedom of Speech and Pre	Massive restriction of freedom of the press and freedom of expression
Death Penalty	Death penalty not completely abolished according to Amnesty International
Freedom of Association	Massive restriction of the freedom of assembly
Whaling	Permission of commercial whaling

The content of this document is a marketing information of Kathrein Privatbank Aktiengesellschaft (“Kathrein”) according to the Austrian Securities Supervision Act 2018 (WAG – Wertpapieraufsichtsgesetz) and shall only serve for information purposes. The content provided is therefore not subject to the rules of the WAG which govern the distribution of financial analyses.

Although we believe that the sources used for this document are reliable, we cannot assume any liability for the completeness, accuracy and timeliness of the information. The document represents the status at the time of preparation.

The content of this document is not legally binding and is of a general nature. It therefore does not constitute individual advice or a recommendation or an offer to buy or sell financial instruments, nor does it constitute legal or tax advice. An investment decision should only be made on the basis of a consultation and not solely on the basis of this marketing communication. Tax treatment depends on the investor’s personal situation and may be subject to future changes.

Risk and Performance notice

It should be noted that investments in financial instruments entail beside opportunities also risks; value and return may rise, but they may also fall. Past performance is not a reliable indicator of future performance and returns of investments.

The performance of investment funds is calculated in accordance with the OeKB method and already takes into account management fees, any performance-related fee and other costs charged within the fund. Individual costs such as the subscription fee, redemption fee or taxes such as withholding tax are not included in the performance calculation.

The specific, individual amounts of these are not known and, if taken into account, would have a correspondingly negative impact on performance.

If a purchase fee of 3% is charged, this reduces the performance in the year of purchase by EUR 300,- for every EUR 10,000 invested and by EUR 50 annually if a custody fee of 0.5% p.a. is charged.

We would like to point out that for investors with a home currency other than the currency of a financial instrument, changes in the relevant exchange rate may have a positive or negative impact on the value of the investment as well as on the amount of costs incurred when converted into the home currency.

Prospectus Notice

The published current prospectus or the information for investors pursuant to § 21 AIFMG as well as the key information document of the funds managed by Kathrein are available at www.kathrein.at under "Investment solutions / Our funds" in German language.

Also the link to the summary of investor rights can be found there. The management company may cancel the distribution of fund shares outside the fund's country of domicile, which is Austria.

These documents as well as the documents of any other financial instruments presented are available from Kathrein upon request.

Transparency on Sustainability risks and Sustainability Factors

In order to include sustainability risks as well as the main effects of investment decisions on adverse sustainability factors (PAI) in our advice, we take into account the information provided by the product manufacturers in the pre-contractual information as part of the selection of financial investment products and our advisory activities. In our opinion, the consideration of sustainability risks can have a positive impact on returns, at least in a longer term, since the lower or complete lack of weighting of securities from issuers with sustainability risks in the investment portfolio can at best mitigate or completely avoid disproportionately poor results due to the occurrence of a sustainability risk. Kathrein's guideline on the inclusion of sustainability risks as well as further sustainability-related disclosures of the investment funds managed by Kathrein are available on our website under "www.kathrein.at „Nachhaltigkeitsbezogene Offenlegungen“.

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