



TARENO
INDEPENDENT WEALTH &
ASSET MANAGER

Tareno Global Water Solutions Fund

SFDR Article 9 – Website Disclosure

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Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) requires that firms publish information on the sustainable investment objective of their products (for Article 9 products), together with information on the methodologies used to assess, measure and monitor them.



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1 Summary

Sustainable Investment Objective

This financial product pursues a sustainable investment objective. The Sub-Fund contributes to a more efficient and sustainable use of water by investing in securities issued by companies operating within the water sector that provide products, services, or solutions with a positive contribution to UN Sustainable Development Goal 6 – *Clean Water and Sanitation*.

The Sub-Fund aims to contribute with its investments to the sustainable use and protection of water and marine resources, corresponding to Environmental Objective 3 of the EU Taxonomy.

Sustainability Indicators

The Investment Manager monitors a set of sustainability indicators to assess the achievement of the sustainable investment objective, including:

- Share of investments contributing to at least one of the 11 SDG 6 sub-indicators
- Weighted average Tareno Sustainability Rating of the portfolio (scale A-E)
- Percentage of companies without carbon emission reduction initiatives (PAI Additional 4)
- Percentage of companies without water management policies (PAI Additional 7)
- Weighted average portfolio intensity

Sustainability in the Investment Strategy

The Investment Manager applies a holistic investment approach incorporating the concept of *double materiality*. This approach recognizes the interconnectedness of both financial and impact materiality, assessing how a company's operations affect environmental and social stakeholders while also considering how these impacts influence the company's long-term financial performance.

The investment process includes:

- Definition of a thematic investment universe based on SDG 6 contribution
- Negative screening with sector-based exclusions aligned with PAB (Paris-Aligned Benchmark) requirements
- ESG integration through the proprietary Tareno Sustainability Score
- Active ownership through engagement and proxy voting

Do No Significant Harm (DNSH)

The sustainable investments of the product are assessed to ensure they do not cause significant harm to any environmental or social objective. The assessment is based on Principal Adverse Impact Indicators (PAI Indicators) and alignment with international standards including UNGC principles and OECD Guidelines.

Good Governance Assessment

The Investment Manager assesses the governance practices of all companies through its proprietary sustainability analysis framework, which includes evaluation of sound management structures, employee relations, remuneration of staff, and tax compliance.

Companies in violation of UNGC principles or involved in severe controversies are excluded.

Minimum Proportions

A minimum of 80% of the investments are sustainable investments with an environmental objective. Up to 20% may be allocated to liquidity, hedging instruments, or other tools for efficient portfolio management.

EU Taxonomy Alignment

The product does not invest in fossil gas and/or nuclear energy-related activities complying with the EU Taxonomy. As of the latest reporting period, 17.53% of the sustainable investments with an environmental objective were aligned with the EU Taxonomy (based on turnover).

Reference Benchmark

No reference benchmark has been designated for achieving the sustainable investment objective. The *Tareno Water Universe* serves as an internal benchmark for sustainability performance comparison.

2 Sustainable Investment Objective

The Sub-Fund aims to contribute to a more efficient and sustainable use of water by investing in securities issued by companies operating in the water sector that offer products, services or solutions with a positive contribution to UN Sustainable Development Goal 6 – Clean Water and Sanitation.

The 11 sub-indicators of SDG 6 that the fund targets are:

1. Proportion of population using safely managed drinking water services
2. Proportion of population using safely managed sanitation services and hand-washing facilities
3. Proportion of domestic and industrial wastewater flows safely treated
4. Proportion of bodies of water with good ambient water quality
5. Change in water-use efficiency over time
6. Level of water stress: freshwater withdrawal as a proportion of available freshwater resources
7. Degree of integrated water resources management
8. Proportion of transboundary basin area with operational water cooperation arrangements
9. Change in the extent of water-related ecosystems over time
10. Amount of water- and sanitation-related official development assistance
11. Proportion of local administrative units with operational water and sanitation management policies

Companies must either generate the majority (>50%) of their revenues from economic activities contributing to at least one sub-indicator or be a market leader (market share >20%) with water products, services, or solutions contributing to at least one sub-indicator.

3 Investment Strategy

Definition of Investment Universe

The investment universe consists of listed equity only. ISS ESG data is used to identify companies contributing to "conserving water," resulting in ~780 initial candidates. After applying size, liquidity, and SDG 6 criteria (SDG solutions assessment), the *Tareno Water Universe* comprises ~300 companies.

Exclusion Policy (PAB-Aligned)

The Sub-Fund applies sector-based exclusions aligned with the EU Paris-Aligned Benchmark (PAB) requirements. Companies are excluded based on the following criteria:

Exclusion Criteria	Revenue Threshold	Scope
Controversial Weapons	0%	Any involvement
Tobacco	0%	Cultivation & production
Coal & Lignite	0%	Exploration to refining
Oil Fuels	>10%	Exploration to refining
Gaseous Fuels	>50%	Exploration to distribution
Electricity Generation with GHG intensity > 100g CO/kWh	>50%	High-carbon generation
UNGC/OECD Violations	0%	Severe violations
Controversies	0%	Repeated or severe violations
Adult Entertainment	0%	Any involvement
Gambling	0%	Any involvement
GMO	0%	Any involvement
Alcohol	5%	Any involvement
Coal Power	5%	Any involvement
Conventional Weapons	5%	Any involvement
Fracking	5%	Any involvement
Nuclear Power	5%	Any involvement
Oil Sands	5%	Any involvement
Uranium Mining	0%	Any involvement

The Fund additionally excludes the following issuers:

- Companies domiciled in countries/territories on the current EU list of non-cooperative jurisdictions for tax purposes
- Companies domiciled in countries/territories on the FATF Blacklist or Greylist

Universe Reduction: The implementation of the sustainability framework, including ESG rating requirements and exclusions, leads to the exclusion of at least 25% of the initial investment universe (30% from 2026 onwards).

ESG Integration: Tareno Sustainability Score

The Investment Manager calculates a proprietary Tareno Sustainability Score for each company, consisting of four components:

Component	Weight	Description
ESG Score	60%	Environmental, Social, Governance assessment based on double materiality (min. 20% each pillar)
ESG Momentum	10%	Year-on-year trend in ESG performance
Climate Score	15%	GHG reduction targets and temperature score alignment
Water Score	15%	Water management policy, targets, and performance

The final score is transformed into a rating (A to E). Companies rated E are excluded. The Tareno Sustainability Score directly affects the discount rate in the valuation models, creating a direct link between sustainability performance and calculated fair value.

Climate Transition Assessment

For issuers in high climate impact sectors (as defined in EU Delegated Regulation 2022/1288), the Investment Manager applies enhanced vigilance through a three-dimensional climate assessment:

- **Climate Transition Credibility:** A transition plan is considered credible if it meets four AND-linked criteria: Temperature Score $\leq 1.7^{\circ}\text{C}$, GHG Targets ≥ 3.0 , Climate Strategy ≥ 2.8 , and Environmental Management ≥ 2.0 .
- **Climate Governance Capability:** Assessment of the company's ability to implement its climate strategy, including just transition considerations.
- **Climate Trajectory:** Monitoring whether issuers are on a Paris-aligned path toward their climate targets.

Minimum Requirements: At least 15% of issuers subject to enhanced vigilance must have a credible climate transition plan. At least 20% must be subject to an engagement commitment with a maximum duration of 3 years.

Good Governance

The Investment Manager assesses good governance practices through its ESG analysis framework, evaluating:

- Sound management structures and board composition
- Employee relations and labor practices
- Remuneration policies
- Tax compliance
- Anti-corruption and anti-bribery policies

Companies in violation of UNGC principles, OECD Guidelines for Multinational Enterprises, or involved in severe controversies are excluded unless a positive outlook has been identified.

4 Proportion of Investments

The Sub-Fund will invest a minimum of 80% in sustainable investments with an environmental objective (#1 Sustainable). All sustainable investments will be via direct exposure to investee companies.

In the part "#2 Not Sustainable" (up to 20%), the Sub-Fund may hold:

- Ancillary liquidity (cash) for operational purposes
- Fixed-income securities and money market instruments for liquidity management
- Derivative financial instruments for hedging and efficient portfolio management

These instruments are not expected to detrimentally affect the delivery of the sustainable investment objective. No minimum environmental and social safeguards are applied to these investments.

Asset Allocation

Category	Minimum	Actual (2025)
#1 Sustainable – Environmental Objective	80%	91.24%
thereof: Taxonomy-aligned	n/a	17.53%
thereof: Other environmental	n/a	73.71%
#1 Sustainable – Social Objective	0%	0%
#2 Not Sustainable	Up to 20%	8.76%

In the part "#2 Not Sustainable", the Sub-Fund may hold ancillary liquidity, fixed-income securities, and derivative financial instruments. Environmental or social safeguards are applied and assessed on all "not sustainable" assets.

EU Taxonomy Alignment

EU Taxonomy Alignment (Turnover)	2025	2024
Taxonomy-aligned	17.53%	11.20%

EU Taxonomy Alignment (Turnover)	2025	2024
Taxonomy-aligned: Fossil gas	0%	0%
Taxonomy-aligned: Nuclear	0%	0%
Transitional and enabling activities	3.71%	n/a

The share of sustainable investments with an environmental objective not aligned with the EU Taxonomy (73.71%) includes issuers that did not fall under the reporting scope of the EU Taxonomy, or for which the Investment Manager did not have sufficient information to conclude the assessment.

5 Do No Significant Harm (DNSH)

The investment process includes the clear requirement that the business activities of investee holdings must not harm any other sustainable investment objectives. This is assessed via:

- Regular monitoring of critical business involvements using data from ISS ESG
- Environmental controversies monitoring
- Principal Adverse Impact (PAI) indicator assessment
- Alignment with OECD Guidelines and UN Guiding Principles on Business and Human Rights

Where the Investment Manager identifies an investment as critical in one of the considered principal adverse impact areas, and where no signs of improvement have been observed, action mechanisms include: exclusion, engagement, use of voting rights, or portfolio tilting.

6 Principal Adverse Impact (PAI) Indicators

The Sub-Fund considers Principal Adverse Impacts on sustainability factors in accordance with Article 4 of EU Regulation 2019/2088 (SFDR). The following PAI indicators are monitored with performance commitments:

PAI Performance Indicator 1: Carbon Emission Reduction Initiatives

Indicator: Proportion of companies without carbon emission reduction initiatives (PAI Additional 4, Table 2 SFDR)

Year	Portfolio	Benchmark	Difference	Coverage
2023	59.57%	63.49%	-3.91%	100%
2024	56.95%	60.53%	-3.58%	100%
2025	42.16%	59.87%	-17.71%	100%

Analysis: The proportion of companies without CO2 reduction initiatives has improved from 59.57% (2023) to 42.16% (2025). The portfolio consistently outperforms the benchmark.

PAI Performance Indicator 2: Water Management Policies

Indicator: Proportion of companies without water management policies (PAI Additional 7, Table 2 SFDR)

Year	Portfolio	Benchmark	Difference	Coverage
2023	43.43%	41.12%	+2.31%	93.03%
2024	39.00%	39.14%	-0.15%	90.40%
2025	30.99%	35.20%	-4.21%	94.70%

Analysis: Significant improvement from 43.43% (2023) to 30.99% (2025). Trend reversal achieved with clear outperformance in 2025.

7 Monitoring of Sustainable Investment Objective

The attainment of the sustainable investment objective is measured through the following sustainability indicators:

- Share of investments contributing to SDG 6 – Clean Water and Sanitation
- Percentage of investments in issuers involved in excluded activities
- Percentage of investments in issuers violating international norms or involved in severe controversies
- Tareno Sustainability Rating distribution (A-E)
- PAI indicators with performance commitments
- Share of issuers with credible climate transition plans

Information is reviewed regularly. If a security does not comply with the binding criteria, the Investment Manager divests within a time period not exceeding three months, considering market conditions and shareholder interests.

8 Methodologies

Thematic Approach

Companies must either generate >50% of revenues from water-related activities or be a market leader (>20% market share) with water products/services. Each company must contribute to at least one of the 11 SDG 6 sub-indicators.

ESG Scoring Methodology

The Tareno Sustainability Score is based on data from ISS ESG and includes sector-specific materiality considerations from the Sustainability Accounting Standards Board (SASB). Companies without sufficient ESG data disclosure are automatically assigned an E rating and excluded.

Climate Assessment Methodology

The Climate Score includes Temperature Score (based on IEA Sustainable Development Scenario), GHG reduction targets, and Scope 3 emissions reporting. Climate transition credibility is assessed through four AND-linked criteria.

9 Data Sources and Processing

The following data sources are used:

- **ISS ESG:** Primary provider for ESG ratings, PAI indicators, and controversies monitoring
- **Bloomberg:** Financial data and company fundamentals
- **CDP:** Climate and water disclosure data
- **Company Disclosures:** Direct information from issuers

Data quality is ensured through regular review, multiple source cross-validation, and direct engagement with issuers when gaps arise. The proportion of estimated data is considered low to medium.

10 Limitations to Methodologies and Data

In assessing the eligibility of an issuer based on ESG research, there is dependence upon information from third-party data providers and internal analyses which may be based on certain assumptions. Key limitations include:

- Incomplete disclosure by issuers, particularly for Scope 3 emissions and water consumption
- Data coverage variations across different PAI indicators
- Potential changes in data provider methodologies affecting year-on-year comparability

To ensure confidence that the sustainable investment objective is met, the Investment Manager may engage with investees to fill data gaps or use complementary data sources.

11 Due Diligence

All due diligence is performed internally with assistance from external data providers. The process includes:

- Pre-trade checks to ensure compliance with exclusion criteria and ESG requirements
- Calculation and verification of the Tareno Sustainability Score
- Climate transition assessment for high climate impact sectors
- Controversy monitoring and UNGC/OECD compliance checks
- Regular meetings with investee company management

12 Engagement Policies

The Investment Manager conducts both direct and collaborative engagement to improve ESG practices at portfolio companies.

Direct Engagement

Active engagement is conducted with companies that are attractive from a fundamental perspective but underperform on sustainability performance. The engagement process follows five steps: (1) Define targets, (2) Communicate targets, (3) Company acknowledges issue, (4) Company addresses issue, (5) Company meets targets.

Engagement Escalation Process

Engagements typically last 2-3 years with escalating measures:

- **Year 1:** Initial engagement with IR/Sustainability Officer, baseline establishment
- **Year 2:** Escalation to C-level, intensified meetings, collaboration with other investors
- **Year 3:** Final review and divestment decision if targets not met

Proxy Voting

Voting rights are exercised for all holdings through ISS in accordance with their international Sustainability Guidelines. Fund management reviews all voting intentions and can override at any time.

Collaborative Engagement

The Investment Manager participates in collaborative engagements through UN PRI and uses the ESG Book engagement platform to scale efforts and address data gaps.

13 Reference Benchmark

The Sub-Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective. The *Tareno Water Universe* (approximately 300 companies) serves as an internal benchmark for comparing sustainability performance indicators.

14 Version History

Version	Date	Main Changes
1.0	January 2023	Initial publication
2.0	September 2025	<ul style="list-style-type: none">• Updated exclusion policy to PAB alignment• Added universe reduction requirement (25%/30%)• Added PAI performance commitments with 3-year evolution• Added Climate Transition Assessment methodology• Added engagement escalation process• Detailed Tareno Sustainability Score components

Disclaimer

This document was created by Tareno AG for information purposes. The past performance presented does not constitute any guarantee for future returns. Security investments are subject to investment risks and value fluctuations, including potential loss of the investment sum.

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