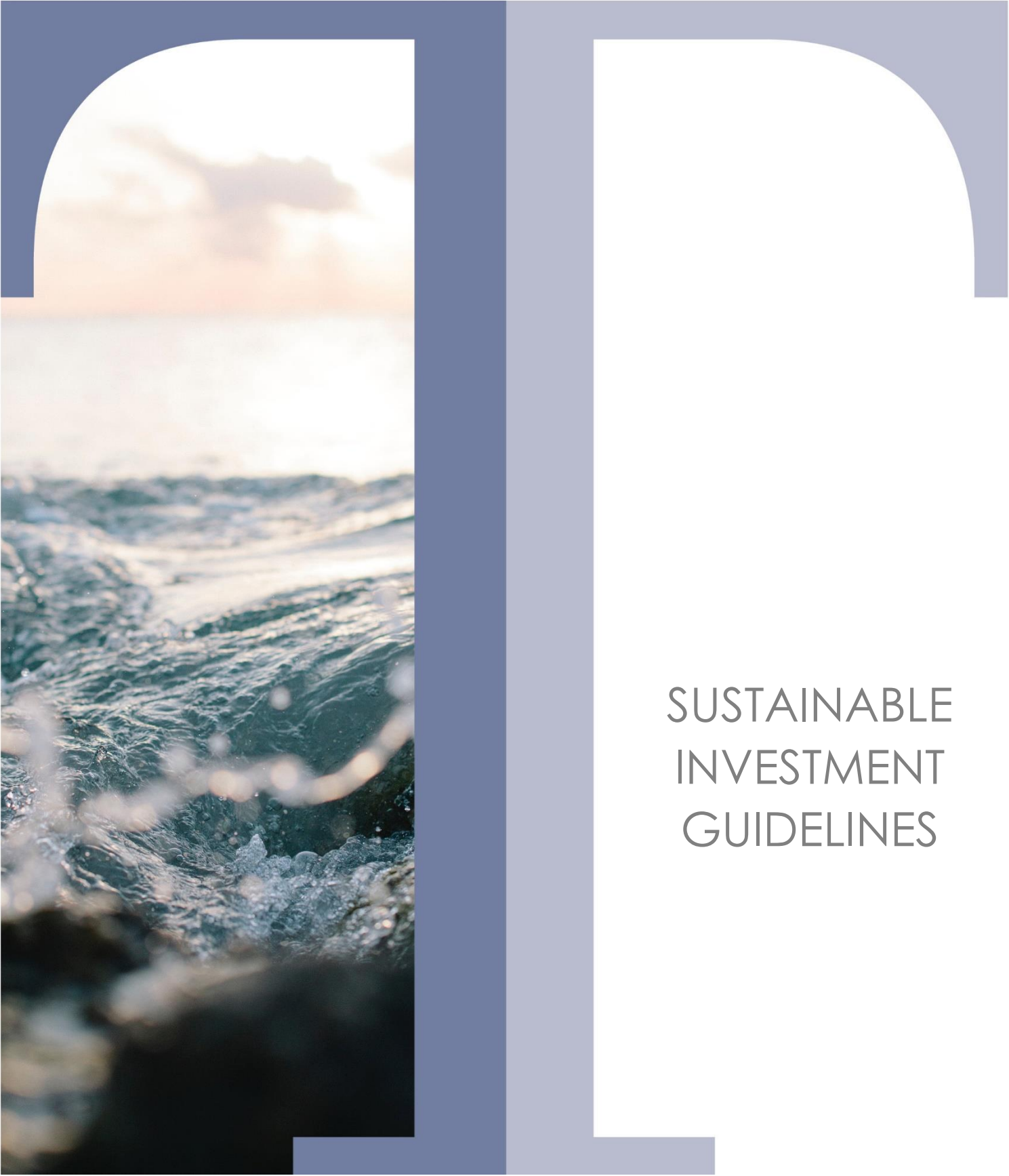




TARENO
Global Water Solutions Fund



SUSTAINABLE
INVESTMENT
GUIDELINES

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1 SUSTAINABLE INVESTMENT GOAL

The Tareno Global Water Solution 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 the UN Sustainable Development Goal 6 - Clean Water and Sanitation. As such, the fund makes an important contribution to Goal 3 of the EU Taxonomy (Sustainable Use and Protection of Water and Marine Resources) and is categorized under Article 9 SFDR.

To reach the fund's objective in a sustainable manner, sustainability is integrated into all levels of the investment process. The definition of the universe is directly based on companies' contribution to SDG 6. Once the universe is defined, a sustainability filter is applied to make sure investments are only made in companies without any negative impact on society or the environment. A bespoke ESG score has been developed and is integrated into the valuation model, having a direct impact on portfolio construction. Finally, active ownership is used to further strengthen ESG practices at the invested companies and promote the fund's sustainability objectives.

2 DEFINITION OF INVESTMENT UNIVERSE

The investment universe of the Tareno Global Water Solutions Fund consists of listed equity only. Companies in the universe need to support the achievement of SDG 6 with the products and services they provide. They can either be predominantly, or partially be exposed to water in terms of revenues. If a company has less than 50% of its revenues from the value chain of water, its products and services need to be leading in the industry.

To build the overall universe, the ISS ESG database is used to screen for companies related to the objective "conserving water" ([SDG solutions assessment](#)), which focuses on ensuring that freshwater, including surface water, groundwater, municipal supply, and rainwater, is accessible and available in sufficient quantity and quality in natural ecosystems. In addition, the database is screened for specific key words: "irrigation", "desalination", "membrane", "pipes", "hydraulic flow".

This leads to a search result of around 600 companies.

To fit the requirements regarding size and liquidity as well as to ensure a significant SDG 6 contribution, the following exclusions are made:

Exclusion criteria	Description	Number of companies
Size	- companies with market capitalization falling below the threshold of EUR 150 Mio.	~ 30
Liquidity	- companies with a lack of market access or liquidity	~ 120
Significant SDG 6 Contribution	- companies with involvement in "bottled water" - companies with partial water revenues and without leadership with the water products they offer	~ 30 ~ 210

The final universe consists of approximately 200 companies.

3 EXCLUSION POLICY

To prevent investments in companies that are responsible for any negative impact on society or the environment, the fund applies a negative screening. A proprietary sustainability filter is used to exclude companies that:

- do not disclose the minimum required ESG data points
- violate the UN Global Compact principles
- are involved in very serious controversies such as human rights violations
- generate part of their sales from the following business activities:

Business Activity	Revenue Threshold
Adult Entertainment	0%
Alcohol	0%
Coal Mining	0%
Coal Power	5%
Conventional Weapons	0%
Controversial Weapons	0%
Drugs	0%
Fracking	0%
Gambling	0%
GMO	0%
Nuclear Power	0%
Oil Sands	0%
Tobacco	0%
Stem Cells	0%
Uranium Mining	0%

This filter leads to the exclusion of around 50 companies. Data for the negative screening is provided by the third-party research provider ESG Book.

4 ESG INTEGRATION

The fund manager calculates a sustainability score for each company in the universe using a proprietary model with qualitative and quantitative elements to evaluate a company. Core data includes aggregated ESG assessment parameters from ESG third-party researchers selected by the fund manager, that provide an overall assessment of the respective company.

The Tareno Sustainability Score consists of the following components:

- Bespoke Score
 - o ESG Score
 - o Momentum Score
- Climate Score
- Water Score

The goal of integrating this score into the investment process is to be able to identify leaders and laggards in terms of ESG practices. Investments are predominantly made into leading companies. If investing in laggards, the issues encountered in the sustainability analysis are addressed as part of the active ownership activities, with the goal of improving ESG practices at those companies.

The final Tareno Sustainability Score is transformed into a rating ranging from A to E. Companies that do not disclose the minimally required ESG data points automatically get an E rating.

4.1 Bespoke Score

Tareno AG and ESG Book have worked together to create the Tareno Bespoke Score.

The overall Tareno Bespoke Score for a company has two measures, the ESG Score and the ESG Momentum Score. This provides a comprehensive view of the current and past sustainability performance of a company, thereby permitting the fund manager to identify not only current leaders and laggards, but also trends in company ESG performance.

4.1.1. ESG Score

The Tareno ESG Score is based on the standards published by the Sustainable Accounting Standards Board (SASB). The SASB standards define sustainability performance along 26 General Issues Categories. The General Issues vary in their materiality according to the industry and sector. For example, air quality is a central issue for companies in the extractive and mineral processing industry but is less important for companies operating in the health care sector. Based on extensive engagement with stakeholders and experts, SASB determines the materiality of each of the 26 General Issues for 11 different sectors. The resulting outcome of 5 such materiality assessments, and how SASB considers materiality in its standard-setting process, can be analyzed through accessing SASB's Materiality Map. Based on SASB's assessment of what 'Issues' are financially material to each sector, Features are grouped by materiality and weighted to produce the final ESG Score. 406 data points across the Environment, Social and Governance dimensions represent the foundation of the Tareno Bespoke Score. This third-party data originates from publicly available company reporting (CSR reports, sustainability reports and company websites). This data is then processed by cleaning, normalizing, and rescaling it relative to the ESG-Book universe.

A company's individual ESG score encompasses all Feature Scores corresponding to SASB's General Issues Categories. It is computed as the weighted average of the Feature Scores with weights corresponding to SASB's designation of features as material or immaterial. Material features are given priority through a higher weight (0.8 or 80% of the feature score) compared to immaterial features (with a weight of 0.2 or 20% in the feature score).

4.1.2. Momentum Score

The ESG Momentum Score shows the change of the ESG score over time. It indicates how much, on average, the ESG score changes per year. It is calculated as an exponentially weighted average of the change in ESG score over the past three years. The most recent change is weighted the highest and weights decrease as we move back in time. To calculate the ESG Momentum Score, the ESG Score was smoothed using a rolling-average with a window of 180 days. The ESG Momentum Score is fed by 3 data point changes in the ESG Score. This is done to limit undue impact of spikes in ESG scoring due to irregularities in data processing by data providers.

4.2 Climate Score

The climate score is based on the Temperature Score developed by ESG Book. The temperature score evaluates companies' emissions and transfers them into a score of 1.5°C, 2°C, 2.7°C, >2.7°C or 3°C, according to categories based on the International Energy Agency (IEA) scenarios from the Energy Technology Perspectives 2017. The first four categories are used to evaluate companies that are reporting emissions. Companies that do not disclose their emissions receive a score of 3°C, as it is assumed that these companies are not making efforts beyond what is required by policy to reduce their emissions. The Temperature Score is entirely driven by reported data.

In addition to the Temperature Score, three binary indicators are evaluated for each company: Target, Trend and Scope 3.

The Target indicator evaluates whether companies have an emissions target approved by the Science Based Targets initiative (SBTi). Emissions reductions targets set under this initiative are independently verified to be compatible with the 2°C goal in the Paris Agreement. The Target indicator therefore highlights forward-looking companies that have shown a clear understanding of how to implement and achieve emissions reductions.

The Trend indicator shows companies whose year-on-year emissions reductions are in line with those required to reach net zero emissions by the mid 2060's and limit global temperature rise to below 1.5°C. This indicator can therefore be useful to further understand companies at both ends of the Temperature Score scale. For example, a company with high emissions and a Temperature Score of 2.7°C can have a trend indicator if it is putting sufficient effort into reducing its emissions. On the other hand, another company may have low emissions and a Temperature Score of 1.5°C but will not have a trend indicator if it has not reduced those emissions over time.

The Scope 3 indicator shows whether companies disclose their Scope 3 emissions along with Scope 1 and Scope 2 emissions. Recognizing efforts to quantify these emissions is important as it shows that the company has an awareness of their emissions throughout their supply chain and in all their business operations.

4.3 Water Score

The water score evaluates operational information on the companies as it relates to water management and corresponding performance reports and key figures, which are reported as part of the "Carbon Disclosure Project". Binary indicators such as whether a company has a proprietary water resource management policy and water-related targets are also part of the score.

The fund manager intends to include quantitative water-related data points as soon as coverage allows to do this in a systematic and meaningful way. Active ownership activities are used to encourage disclosures of water-related data, such as the amount of water treated or recycled.

5 ACTIVE OWNERSHIP

5.1 Engagement Policy

The fund manager uses active engagement to improve ESG practices at holding companies. This is believed to lead to better investment results as well as a positive impact on the environmental and social behavior of those companies. The focus of the engagement activities is on corporate governance as well as any climate and water related issues. Sound corporate governance practices are crucial for the long-term value creation of any company. Climate and water are the two main sustainable themes of the fund. Engagement is specifically used to encourage the improvement of reporting standards as well as the setting of specific targets within those focus areas.

Engagement is conducted by the fund management in the form of face-to-face or digital meetings, participation in investor conferences, or company site visits. In addition, ESG Book's engagement platform is used to directly request missing disclosures from companies.

While general dialogues are regularly held with all holding companies, active engagement is conducted with companies that are attractive from a fundamental perspective but lack behind in terms of their sustainability performance as evaluated with the help of the fund's bespoke sustainability score. Those companies are proactively approached to address any issues related to their sustainability performance. For companies which are on the watch list due to any controversy, the reasons for the controversy as well as the action plan are part of the dialogue.

The engagement process generally consists of the following five steps:

1. Define targets for engagement with a company
2. Communicate targets to company
3. Company has acknowledged the issue
4. Company has addressed the issue
5. Company has met targets

Engagements typically last 2-3 years. If a company has not met the targets after this time, the fund manager may either re-enter the dialogue, initiate a shareholder resolution, or divest.

In some cases, the fund managers collaborate with other institutional investors via platforms such as the United Nations Principles for Responsible Investment (UN PRI).

5.2 Proxy Voting Policy

Voting rights are regularly exercised for all fund holdings. Voting is an important part of active ownership which is used to strengthen environmental, social and governance practices at the invested companies and promote the fund's sustainability principles.

Voting is conducted via proxy voting by ISS in accordance with their international "Sustainability Guidelines". These proxy voting guidelines were specifically developed for sustainability minded investors and advocate for stewardship of environment, fair labor practices, non-discrimination and the protection of human rights. The guidelines take internationally recognized sustainability-related initiatives such as the United Nations Environment United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact (UNG), Global Reporting Initiative (GRI), Carbon Principles and the International Labor Organization Conventions (ILO) as a frame of reference, all of which promote a fair, unified, and productive reporting and compliance environment which advances positive corporate ESG actions. Shareholder proposals which aim to increase transparency on material ESG issues and enhance long term shareholder value creation are generally supported.

The proxy voting guidelines are updated annually to consider emerging issues and trends on environmental, social and corporate governance topics, as well as the evolution of market standards and regulatory changes. The full guidelines can be found [here](#).

Due to its strong focus on environmental stewardship and robust corporate governance, the ISS sustainability policy is consistent with the fund's sustainability values and helps advance its sustainability goals. Supporting proposals that require companies to disclose climate and water-related figures, for example, helps to improve the quality of the fund's reporting. Supporting proposals calling for a reduction of GHG emission can even directly improve the fund's environmental footprint.

Voting intentions according to the policy are regularly monitored by the fund management and can be changed at any time. To share voting intentions on shareholder resolutions with other sustainable investors, the fund manager usually publishes these intentions on the UNPRI platform. Voting activities as well as results may also be part of the active dialogue with company representatives. Information on past voting activities is published on the [fund website](#) as well as in the yearly sustainability report.

6 MONITORING AND REPORTING

To monitor the fund's sustainability performance, the following KPIs are regularly monitored:

- Tareno Sustainability Score
- Number of TCFD Signatories
- Number of companies with emissions reduction targets
- Number of companies with a Water Resource Management Policy
- Number of companies with water-related targets
- Number of UNGC Signatories
- Number of companies with UNGC violations
- Number of companies with a Human Rights Policy
- Average % of females on the board

Coverage is 100% for all KPIs listed above. Data is provided by ESG Book and is based on reported data. No estimates are used. Additional KPIs with lower coverage are measured and may be published in the fund's reporting.

If a KPI is negative (for example no Water Policy available) or below a certain predefined threshold (for example below 10% for "Average Females on Board"), the company will be flagged, and the issue will be addressed at the next dialogue with the company.

Full fund holdings with selected KPIs are published quarterly on the [fund website](#), including performance comparison with the investment universe. More qualitative information about the fund's sustainability performance as well as its active ownership activities can be found in the annual sustainability report.

7 RISK CONTROL AND COMPLIANCE

External and internal control mechanisms are applied to ensure compliance with the following ESG-related requirements:

- No investments in companies on the ESG exclusion list
- No investments in companies without ESG-Analysis
- Elimination of at least 20% of companies from the initial investment universe
- Monitoring of portfolio holdings which are on the watch list due to involvement in controversies or potential UN Global Compact violations

Ensuring that a company is part of the ESG-screened investment universe is part of the regular pre-trade checks conducted by the trading team.

Additionally, an exclusion list is sent to the management company once a month. The management company double checks that no investments in companies on the exclusion list are made.

The head of risk management supervises the fund managers and issues a semi-annually control report confirming the compliance of the investments with the requirements listed above. In the event of a breach of rules, the management company will be informed promptly and comprehensively.

8 DERIVATIVES POLICY

The fund may invest in derivative instruments such as currency forwards. This instrument is only used for hedging purposes. The Sub-Fund does not invest in soft-commodities or engage in any securities lending transactions. In case of an investment in any derivative instrument, an ESG analysis of the underlying as well as the issuer must be carried out beforehand. The E

9 DISCLAIMER

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