



**TARENO**  
INDEPENDENT WEALTH &  
ASSET MANAGER

# Sustainability Policy



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# 1 Introduction

As one of Switzerland's largest independent asset management companies, we consider it our duty to act responsibly as an investor, business partner, and employer. We firmly believe that corporate responsibility should be a fundamental part of our activities, from our own business operations to the investments we make on behalf of our clients. That is why we adhere to the highest industry standards and strive to act in the best interests of our clients and other stakeholders at all times.

It is our declared goal to invest our clients' capital responsibly. The result is improved financial performance for our clients and a positive impact on the environment and society. By focusing on sustainable, long-term value creation and actively considering ESG (environmental, social, governance) criteria in our investment decisions, we are achieving our goals step by step.

Our aim is to ensure value preservation for our clients while increasing investment returns. Our asset management strategy is designed to invest only in companies that respect their respective stakeholders and the environment, both directly and indirectly, and ideally have a positive influence on them.

The purpose of this policy is to integrate our convictions into our workflows and processes and to ensure that we take internal ESG criteria into account in a meaningful and consistent manner.

## 2 Commitment UNIPRI

To demonstrate our commitment to responsible investment, we have signed up to the UN Principles for Responsible Investment (PRI). These six principles for responsible investment from the United Nations are based on recognized international conventions aimed at investment companies.

### ***PRINCIPLE 1***

*We will incorporate ESG issues into investment analysis and decision-making processes.*

### ***PRINCIPLE 2***

*We will be active owners and incorporate ESG issues into our ownership policies and practices.*

### ***PRINCIPLE 3***

*We will seek appropriate disclosure on ESG issues by the entities in which we invest.*

### ***PRINCIPLE 4***

*We will promote acceptance and implementation of the Principles within the investment industry.*

### ***PRINCIPLE 5***

*We will work together to enhance our effectiveness in implementing the Principles.*

### ***PRINCIPLE 6***

*We will each report on our activities and progress towards implementing the Principles.*

As a signatory, we report annually to the UNPRI on our activities and progress with regard to our responsible investments. Our annual report is publicly available.

Further information can be found at [www.unpri.org](http://www.unpri.org)

## 3 Exclusion

To ensure that our investments comply with our sustainability guidelines, we have set certain minimum requirements for all companies in which we invest. Advisory mandates are not affected by this policy, but the sustainability guidelines can of course also be implemented for these mandates.

Negative screening helps us to enforce our minimum requirements, i.e., to exclude companies with links to certain industries or companies that are involved in serious controversies.

We also exclude companies for which no sustainability report is available to us.

### 3.1 Business areas

Companies that generate more than 5% of their revenue in the following business areas are affected by the exclusion: fracking, coal mining, coal energy, nuclear energy, oil sands, pornography, armaments, and uranium mining. This applies to all active investments of Tareno AG.

For the Tareno Global Water Solutions Fund, we exclude additional sectors such as alcohol, gambling, GMOs, and tobacco. The exclusion criteria for the fund are based on a tolerance threshold of 0%.

#### 3.1.1 Policy on dealing with controversial weapons

Tareno actively assumes responsibility in dealing with controversial weapons. Controversial weapons include biological, chemical, and nuclear weapons, cluster munitions, and anti-personnel mines. The use of these types of weapons has serious humanitarian consequences for the civilian population. These devastating effects are not only felt during a conflict, but often for years afterward.

Tareno does not invest in companies that are actively involved in the field of controversial weapons. As part of the ESG framework, processes have been implemented to identify these companies and exclude them from investment. This decision affects both the funds managed by Tareno and all asset management mandates.

The list of companies to be excluded is regularly updated with the support of external research partners.

### 3.2 Controversies

We do not invest in companies that are involved in serious controversies. Automated alerts enable us to react quickly when a new controversy arises.

### 3.3 UN Global Compact

We only invest in companies that have signed up to the principles of the UN Global Compact.

The UN Global Compact is an initiative led by the United Nations that encourages companies worldwide to pursue sustainable and socially responsible policies in order to fulfill their fundamental responsibilities towards people and the planet. The initiative is based on ten principles that are intended to define a company's value system and business approach.

By excluding companies that have not signed the UN Global Compact, we ensure that we do not invest in companies that do not respect human and labor rights. For more information, please visit [www.unglobalcompact.org](http://www.unglobalcompact.org).

## 4 ESG integration

A company's environmental, social, and governance practices can have a significant impact on its financial performance. Integrating ESG criteria into the investment process can help identify the underlying risks and opportunities for the company while also having a positive impact on society and the environment.

Our proprietary ESG model helps us monitor the ESG performance of all companies in our equity investment universe. This assessment, together with our fundamental and technical analyses, enables us to identify companies that we believe have sound and sustainable business models and the ability to create long-term value for investors.

We use both qualitative and quantitative metrics to calculate a company's ESG score. The data used is provided by ESG Book. We also take into account changes in how the company deals with ESG challenges in practice ("ESG momentum").

Each company in the investment universe is then assigned a final ESG score based on the above criteria.

## 5 Thematic investments

Impact investing goes one step further than ESG investing. It focuses not only on practices within a company, but also on the products and services it offers and their positive impact on society or the environment. We pursue this approach with our thematic fund, the Tareno Global Water Solutions Fund.

Thematic investments focus on long-term macroeconomic trends and the underlying investment opportunities. Our Tareno Global Water Solutions Fund invests globally in companies positioned along the water value chain. The water investment theme is based on long-term structural developments such as population growth, climate change, urbanization, and technological change.

Our negative screening and ESG integration are also applied to this fund.

The investments of the Tareno Global Water Solutions Fund are aligned with Sustainable Development Goal 6 (clean water and sanitation). The fund is classified under Article 9 SFDR.

The fund has already been awarded the sustainability seal of approval by FNG (Forum Nachhaltige Geldanlagen) several times for its sustainability approach.

## 6 Climate and environment

Climate change is undoubtedly one of the greatest threats to the environment and society. Mitigating climate change and reducing greenhouse gas (GHG) emissions is a major global challenge that can only be overcome if governments, companies, and investors take responsibility and push for and support the transition to a low-carbon and climate-resilient economy.

We expect companies to reduce their negative impact on the environment as much as possible and to disclose their direct and indirect GHG emissions. We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are committed to continuing to advocate for greater transparency and contributing to best practices in the industry. We also strive to minimize our own environmental footprint.

Our climate-friendly investment solution invests exclusively in companies that are aligned with the goals of the Paris Climate Agreement. In the long term, we want to align all our portfolios with the goals of the Paris Agreement in order to protect our own assets and those of our clients from climate-related financial risks and contribute to the transition to a low-carbon economy.

## 7 Active ownership and engagement

We strive to be active owners by exercising our voting rights and engaging in dialogue with the companies in which we invest. Our activities aim to promote robust corporate governance structures and improved social and environmental performance in order to ensure long-term value creation and protect our own investments from reputational risks.

### 7.1 Voting

We exercise our voting rights for the Tareno Global Water Solutions Fund through ISS in accordance with its sustainability policy. Voting rights for our clients' investments can also be exercised upon request.

### 7.2 Individual engagement

The investment team is in regular contact with all the companies in which we invest. The feedback and information we receive through this form of two-way communication is combined with our existing knowledge and experience, which ultimately determines our prioritized engagement activities. We use a value-at-risk approach to identify the most important engagements in our portfolio. We pursue two to three engagements per year and monitor them over a period of three years. The engagements are carried out by internal resources (investment team and advisory board) based on our engagement practices. In selected cases, we may use external providers.

### 7.3 Joint engagement

As responsible and collaborative shareholders, we strive to work with our colleagues and partners in the industry to promote joint engagement. For this reason, we see great value in the cooperation of several shareholders for selected mandates, e.g., coordinated by the UNPRI. With regard to our investments in US companies, we regularly review whether collaborations under the auspices of US CERES and led by lead investors in our industry are attractive to us.

## 8 Reporting

Tareno AG's annual reporting to UNPRI is available on the PRI data portal. The reporting also includes engagement activities (e.g., company visits, voting, engagement activities).

We report regularly to the Board of Directors on all our activities and our progress with regard to ESG.

The ESG profile of our investments is available on request.

## 9 Corporate responsibility

We are convinced that, as a responsible player in the financial industry, we must demonstrate our commitment. We achieve this through responsible action and the implementation of ethically sustainable practices, both in our investments and within our own organization.

### 9.1 Environment

To minimize our environmental footprint, we will:

- reduce our consumption of paper and other office supplies
- eliminate the use of single-use plastics and recycle waste
- reduce greenhouse gas emissions caused by our business travel

### 9.2 Social

Our employees are our most important resource. To protect and preserve this resource, we will:

- Promote diversity and equal opportunities, regardless of gender, age, culture, or religion
- Support the health, safety, and well-being of our employees
- Offer part-time positions and flexible working hours
- Support and promote training and continuing education
- Create a work environment in which the contribution of each employee is recognized, respected, and rewarded

### 9.3 Corporate governance

A good corporate governance structure is crucial for the efficient management of our company. To ensure this, we will:

- Comply with all applicable laws and regulations and adhere to the highest industry standards
- create a culture of ethical and responsible behavior
- Separate execution and decision-making functions ("segregation of duties")
- establish internal control and risk management systems
- identify potential conflicts of interest and try to avoid them

## **10 Memberships and partners**

### **10.1 Memberships**

We are a member of Swiss Sustainable Finance (SSF). SSF aims to strengthen Switzerland's position in the global market for sustainable financial investments by providing information on best practices and creating supportive tools and frameworks.

### **10.2 Research partners**

When it comes to research, we rely on our partners, who have extensive expertise and experience. We use research from ESG Book, ISS ESG, Bloomberg, and Thomson Reuters.

ESG Book is the world's first provider to collect, process, and deliver sustainability information using state-of-the-art information technology and artificial intelligence. The method uses more than 400 parameters from various data sources, which are processed daily. Tareno was the first asset manager in Switzerland to start working with ESG Book in September 2017.

ISS ESG is our partner for exercising voting rights. ISS is the leading provider of corporate governance and responsible investment solutions for institutional investors.

Data from Bloomberg and Thomson Reuters is used in our valuation models, both for fundamental indicators and for qualitative criteria such as the existence of a water policy.

## **11 Use of derivatives**

Derivatives and structured products can be used to hedge special topics in both the interest rate and equity sectors. For hedging purposes, investments can also be made in derivative financial instruments such as forwards and mini-futures.

Transparency, valuation, and tradability play a key role in the use of derivatives and structured products. The fee structure, functionality, reporting, creditworthiness of the issuer, pricing, product components, liquidity, and spread between the bid and ask prices are all examined. In addition, both the underlying asset and the issuer are assessed for their sustainability performance, using criteria similar to those for direct investments. Where appropriate, products are launched that are individually tailored to clients. The best possible terms are ensured in cooperation with various brokers.



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