

HEARTH ETHICAL FUND SFDR AND TAXONOMY REGULATION DISCLOSURES

Requirements for funds that promote environmental or social characteristics (Art. 8 Funds)		
Reference	Summary	Details
Art. 8: Pre-contractual Disclosures	Investors must be provided with pre-contractual disclosures containing the information under Art. 10 'Website Disclosures' (see Draft ESG Disclosures RTS for details)	<p>1. A) Information on how environmental and social characteristics are met</p> <p>HEF adopts exclusionary policies on environmentally and/or socially harmful or controversial business practices and/or sectors. The following industry sub-sectors are excluded from the investable universe:</p> <ul style="list-style-type: none"> - Tobacco - Gambling - Predatory lending - Adult entertainment - Weapons (for military and civilian purposes) - Non-conventional weapons - Coal energy - Nuclear energy <p>The following business involvements are excluded:</p> <ul style="list-style-type: none"> - Genetically Modified Organisms - Fetal stem cells - Animal testing with non-pharmaceutical purposes <p>HEF investment process takes into consideration the entire company value chain, by detecting and excluding companies having more than 5% of their revenues pertaining to the above-mentioned sectors/practices.</p> <p>Additionally, HEF investment process analyses companies' control chain, as to make sure that investable companies are not shareholders to the extent of more than 5% of companies involved in the above-mentioned sectors/practices.</p>

		<p>Likewise, HEF investment process excludes companies which are controlled to the extent of more than 5% from companies involved in the above-mentioned sectors/practices.</p> <ol style="list-style-type: none"> 1. B) Information about the designation of a reference benchmark, and if and how this index is consistent with environmental and social characteristics Tbd 2. A) Indication of where the methodology used for the calculation of the index referred to in paragraph 1 is to be found Tbd <p>B) Information on SFDR Regulation Art. 6 (1) and (3) Art. 6 (1(a)): The manner in which sustainability risks are integrated into their investment decisions The sustainability risk subsets which are taken into full consideration along the HEF investment process are detailed below.</p> <p>The methodology used to assess these risks may include one, two, or all of the following levels:</p> <p>Level 1: Exclusions Companies active in certain industry sub-sectors (see 1(A)) may be totally excluded and companies which are engaged in determined business practices may also be totally excluded under certain conditions (see 1(A)).</p> <p>Level 2: Controversies monitoring HEF assesses periodically and systematically the severity of legal cases & controversies affecting investable companies. Companies with controversies having a grade from significant to severe are excluded from the investable universe. Moreover, this condition will produce a divestment, if the company is held within the HEF invested portfolio.</p> <p>Level 3: Best-In-Class</p>
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				<p>Impact vs. Reference Index (MSCI World)</p> <ul style="list-style-type: none"> Weighted average emissions (Carbon Footprint) overall portfolio <table border="1"> <thead> <tr> <th>HEF</th> <th>Reference Index</th> <th>Impact HEF</th> </tr> </thead> <tbody> <tr> <td>92 tons/million invested</td> <td>133 tons/million invested</td> <td>-31%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Weighted average emissions (Carbon Footprint) carbon intensive sectors <table border="1"> <thead> <tr> <th>HEF</th> <th>Reference Index</th> <th>Impact HEF</th> </tr> </thead> <tbody> <tr> <td>241 tons/million invested</td> <td>759 tons/million invested</td> <td>-68%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Carbon intensity (normalised on sales) <table border="1"> <thead> <tr> <th>HEF</th> <th>Reference Index</th> <th>Impact HEF</th> </tr> </thead> <tbody> <tr> <td>114 tons/million sales</td> <td>332 tons/million sales</td> <td>-65%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Energy efficiency 	HEF	Reference Index	Impact HEF	92 tons/million invested	133 tons/million invested	-31%	HEF	Reference Index	Impact HEF	241 tons/million invested	759 tons/million invested	-68%	HEF	Reference Index	Impact HEF	114 tons/million sales	332 tons/million sales	-65%
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		Biodiversity	<p>Companies with sites/operations located in the vicinity of biodiversity-sensitive sites/areas are carefully scrutinised with reference to how well they manage the risk of harming biodiversity.</p> <p><u>Methodology:</u> 2, and 3</p> <p>Impact vs. Reference Index (MSCI World)</p> <ul style="list-style-type: none"> Biodiversity Risk Management <table border="1"> <tr> <td>HEF</td> <td>Reference Index</td> </tr> <tr> <td>Average risk exposure: 2.97/10</td> <td>Average risk exposure: 2.77/10</td> </tr> <tr> <td>Average management score: 50.82/100</td> <td>Average management score: 51/100</td> </tr> </table>	HEF	Reference Index	Average risk exposure: 2.97/10	Average risk exposure: 2.77/10	Average management score: 50.82/100	Average management score: 51/100	
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		<p>Water use</p>	<p>If companies belong to industries where water use is a material ESG risk, they are assessed with reference to how well they manage the risk of water pollution. Additionally, they are compared with their peers to analyse their efficiency in water use. For companies whose production sites are in water scarce areas, there is an additional screening at their controversies profile, to make sure there are no incidents with local communities in relation to water abuse at the expenses of the latter.</p> <p><u>Methodology:</u> 2, and 3</p> <p>Impact vs. Reference Index (MSCI World)</p> <ul style="list-style-type: none"> Water Risk Management <table border="1" data-bbox="1182 847 1890 970"> <thead> <tr> <th>HEF</th> <th>Reference Index</th> <th>Impact HEF</th> </tr> </thead> <tbody> <tr> <td>11,679 m3/million sales</td> <td>75,365 m3/million sales</td> <td>-84%</td> </tr> </tbody> </table>	HEF	Reference Index	Impact HEF	11,679 m3/million sales	75,365 m3/million sales	-84%	
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		<p>Waste management</p>	<p>If companies belong to industries where waste generation is a material ESG risk, they are assessed with reference to how well they manage the risk of hazardous waste. Additionally, they are compared with their peers to analyse their efficiency in reducing waste generation.</p>							

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			<p>Art. 6(1(b)): <i>The results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available</i></p> <p>Tbd</p> <p>Art. 6 (3): <i>The information of 2 (a) and (b) should be included in the Fund Prospectus</i></p> <p>In addition to the information above in 2 (a) and (b), the following statements should be added:</p> <p>‘The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities.</p>										

		<p>The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.’.</p>
<p>Art. 10: Website disclosures</p>	<p>For each fund or investment portfolio that promotes environmental or social characteristics, a manager must publish and maintain the following information on its website in a manner that is ‘accurate, fair, clear, not misleading, simple and concise and in a prominent easily accessible area’</p>	<p>1. A) A description of the environmental or social characteristics or the sustainable investment objective</p> <p>B) Information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product</p> <p>The ESA shall develop draft regulatory technical standards (RTS) to specify the details of the content of the information referred to in points (A) and (B) (deadline: 30 Dec 2021)</p> <p>C) The information referred to in Articles 8 (Pre-contractual disclosures) , and starting from 2022: 11 (Periodic Disclosures)</p>