

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

16. 1 Annex “Sustainable investment objective” to the Sub-Fund VARIOPARTNER SICAV – TARENO GLOBAL WATER SOLUTIONS FUND

Pre-contractual disclosure annex for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: VARIOPARTNER SICAV – TARENO GLOBAL WATER SOLUTIONS FUND
Legal entity identifier: 529900T7KW5BPJ7ONO65

Sustainable investment objective

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> Yes	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> No
<input checked="" type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: 75% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



What is the sustainable investment objective of this financial product?

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 the UN Sustainable Development Goal 6 - Clean Water and Sanitation.

The Sub-Fund aims to contribute with its security investments to the sustainable use and protection of water and marine resources.

The Sub-Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

- The Investment Manager's sustainability investment process consists of detailed, systematic qualitative and quantitative analysis of a potential investee. The Investment Manager uses the following sustainability indicators to measure the attainment of the Sub-Fund's sustainable investment objective:
- Percentage of investments considered as contributing to at least one of the sub-indicators of SDG 6 – Clean Water and Sanitation
- Percentage of investments in issuers involved in activities excluded by the Sub-Fund
- Percentage of investments in issuers that are in violation with certain international norms and standards promoted by the Sub-Fund or that are exposed to severe controversies (without positive outlook)
- Percentage of investments in securities of corporate issuers that pass the minimum ESG score that has been set for this Sub-Fund–Percentage of investments in securities of issuers that are in violation with certain international norms and standards promoted by the Sub-Fund or that are exposed to severe controversies (unless a positive outlook has been identified). Such controversies may be related to environmental, social or governance issues
- Percentage of securities covered by ESG analysis.

● **How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?**

In order to ascertain that the sustainable investments do not cause significant harm to any environmental or social investment objective, the Sub-Fund considers the indicators for adverse impacts and makes certain that the Sub-Fund's investments are in line with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights as outlined in further detail below.

— — — — — *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The investment process includes the clear requirement that the business activities of the investee holdings shall not harm any other Sustainable Investment objectives (referred to as DNSH, do no significant harm). This aspect has been assessed via regular monitoring of critical business involvements, environmental controversies, whereby data points from an external ESG data provider serve as a guidance. Where no reliable third-party data is available, the Investment Manager may make reasonable estimates and assumptions.

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

— — — — — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Sub-Fund excludes companies that are evaluated to have failed international norms and standards. Third party analysis is used for this evaluation. The Sub-Fund has a controversy monitoring process in place, that among others takes into account the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The Sub-Fund excludes issuers that are (i) in violation with the norms and standards promoted by the Sub-Fund or (ii) that are involved in severe controversies, including those related to governance matters. Unless, in either case, the Investment Manager has identified a positive outlook (for example through proactive response by the issuer, proportionate rectification measures already announced or taken, or through active ownership activities with reasonable promise of successful outcomes).



Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, principal adverse impacts on sustainability factors (“PAIs”) are considered in the due diligence procedures for investment selection and ongoing monitoring. This process is based on third party data and may be complemented by the Investment Manager’s own ESG research capabilities. The investment selection process including the exclusion and ESG integration approach enables the Sub-Fund to avoid investments in the worst in class companies on ESG performance and in companies involved in controversial activities that are harmful for environment and society. Severe controversies as well as breaches of international norms which are often related to Principal Adverse Sustainability Impacts are constantly monitored. Where the Investment Manager identifies an investment as critical in one of the considered principal adverse impacts areas, and where no signs of improvement have been observed, an action must be taken. Action mechanisms may include: exclusion, engagement, use of voting rights, tilting.

Information on how principal adverse impacts on sustainability factors were considered will be made available in the periodic reporting of the Sub-Fund.

No



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

In order to attain the sustainable investment objective, the Sub-Fund invests in issuers that contribute to at least one of the 11 sub-indicators of SDG 6 through their products, services and solutions.

These Sub-Indicators are:

- Proportion of population using safely managed drinking water service
- Proportion of population using (a) safely managed sanitation services and (b) a hand-washing facility with soap and water
- Proportion of domestic and industrial wastewater flows safely treated
- Proportion of bodies of water with good ambient water quality
- Change in water-use efficiency over time
- Level of water stress: freshwater withdrawal as a proportion of available freshwater resources
- Degree of integrated water resources management
- Proportion of transboundary basin area with an operational arrangement for water cooperation
- Change in the extent of water-related ecosystems over time
- Amount of water- and sanitation-related official development assistance that is part of a government-coordinated spending plan
- Proportion of local administrative units with established and operational policies and procedures for participation of local communities in water and sanitation management

Such contribution is assessed either by way of achieving a certain level of revenues from water businesses or by reviewing the target issuer’s position in its market.

Further, the Investment Manager incorporated ESG criteria into the investment process by way of (i) negative screening, (ii) an assessment of an issuer’s level of ESG integration and engagement and (iii) active issuer engagement.

- (i) Negative screening: The Investment manager applies a sustainability filter to exclude companies that:
 - do not have an ESG rating report from a third-party ESG rating provider;

- generate any part of their sales from alcohol, tobacco, gambling, pornography, coal mining or armament dealing;
 - are not signatories of the UN Global Compact;
 - are involved in very serious controversies such as human rights violations.
- (ii) **Assessment of ESG integration and engagement:** The Investment Management calculates an ESG score for each company in the universe using a proprietary model using qualitative and quantitative elements to evaluate a company. Core data includes aggregated ESG assessment parameters from ESG third-party researchers selected by the Investment Manager, that provide an overall assessment of the respective company and also takes into account a company's practice with sustainability management changes. In addition, the Investment Manager 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". The companies receive the final sustainability score using a rating model developed by the Investment Manager based on the criteria described above.
- (iii) **Active Engagement:** The Investment Manager exercises voting rights it may have in the issuer, engages in direct dialogue with companies and participates in collaborative engagements aimed at promoting robust corporate governance structures and improved performance in social and environmental areas to foster long-term value creation

The securities will be analyzed based on the binding elements prior to investment and monitored on a continuous basis. Each asset in the portfolio has their sustainability performance periodically reevaluated using the above-described sustainability framework. If a security does not comply with the criteria described above, the Investment Manager divests from such a security within a time period to be determined by the Investment Manager without exceeding in principle three months after such breach was detected, considering prevailing market conditions and taking due account of the best interests of the shareholders. The Board of Directors or the Management Company of Variopartner SICAV may decide to further postpone the rectification of such a breach or decide to carry out the divestment in several instalments over a longer period of time in exceptional cases, provided this is considered to be in the best interests of the shareholders.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

- The binding elements used to select the investments to attain the sustainable investment objective are:
 - The Sub-Fund only invests in companies which offer products, services or solutions that contribute positively to at least one of the 11 sub indicators of SDG 6. Companies must at least either generate the majority (>50%) of their revenues from economic activities that contribute to at least one of the sub-indicators or be a market leader (market share >20%) with the water products, services, or solutions they offer that contribute to at least one of the sub-indicators.
- The Sub-Fund excludes companies that do not have an ESG rating report from a third-party ESG rating provider.
- The Sub-Fund excludes any company that does not respect its exclusion list. The exclusion list is available on <https://www.tareno-globalwatersolutionsfund.ch/en/sustainability-credentials/> under SFDR Website Disclosure.
- The Sub-Fund excludes issuers that are exposed to severe controversies unless a positive outlook is identified.
- The implementation of the binding elements, as described above, leads to the exclusion of at least 20% of the investments considered prior to the application of the investment strategy (i.e. the global listed companies operating in the water sector).
- The ESG analysis covers 100% of the Sub-Fund's equity securities. The use of data may be subject to methodological limits.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

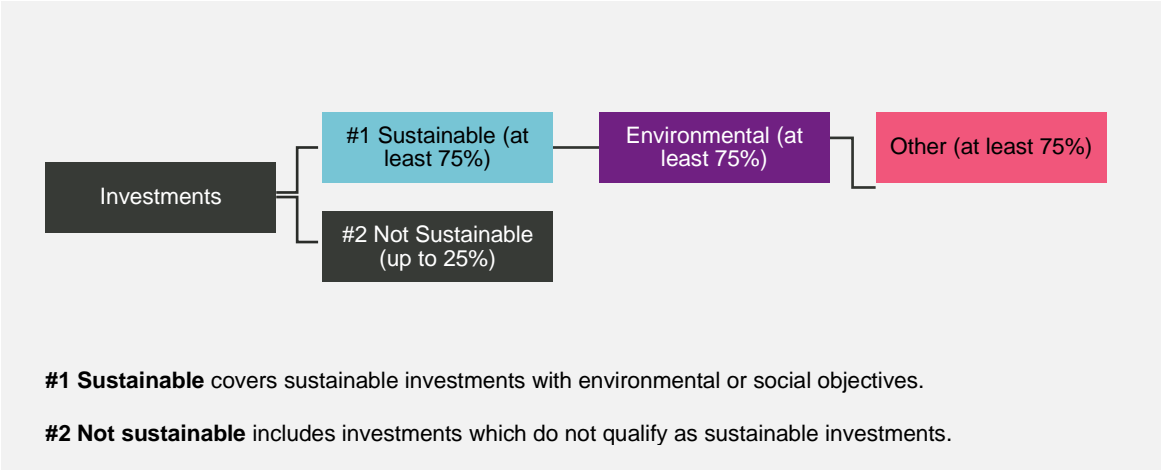
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.



What is the policy to assess good governance practices of the investee companies?
 The investment process includes an evaluation of the holdings' minimum social and good governance requirements. Third party analysis is used for this evaluation. The Sub-Fund excludes issuers that are (i) in violation with the norms and standards promoted by the Sub-Fund or (ii) that are involved in severe controversies, including those related to governance matters. Unless, in either case, the Investment Manager has identified a positive outlook (for example through proactive response by the issuer, proportionate rectification measures already announced or taken, or through active ownership activities with reasonable promise of successful outcomes).

What is the asset allocation and the minimum share of sustainable investments?

The Sub-Fund will make a minimum of 75% in sustainable investments with an environmental objective (#1 Sustainable).



#1 Sustainable covers sustainable investments with environmental or social objectives.
#2 Not sustainable includes investments which do not qualify as sustainable investments.


The percentages indicated above refer to the Sub-Fund's net asset value.

How does the use of derivatives attain the sustainable investment objective?
 Not applicable.

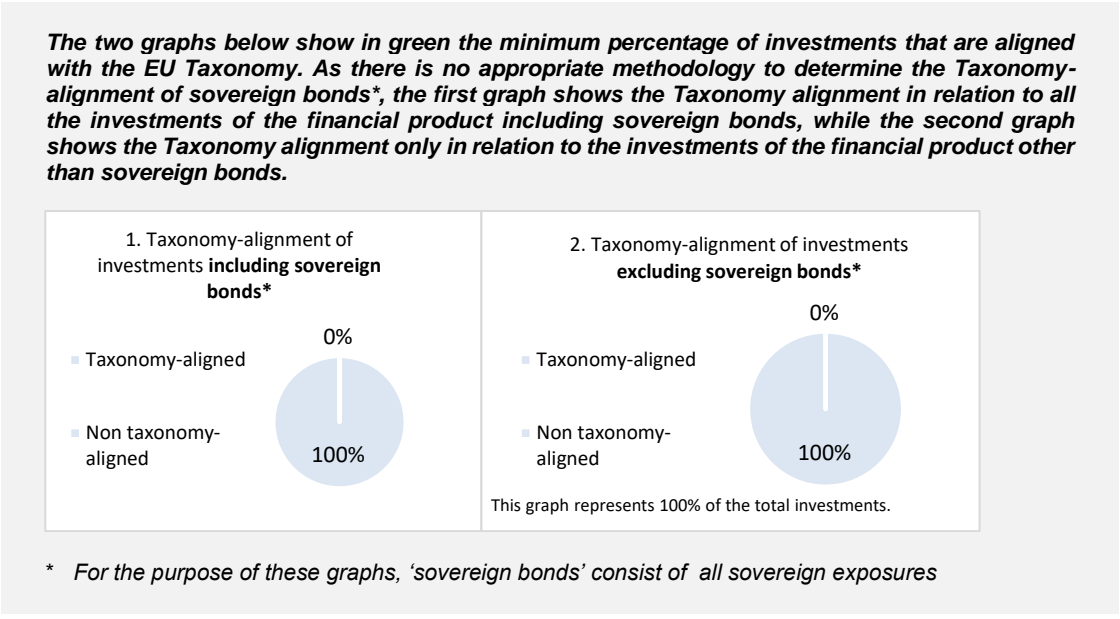
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund intends to contribute with its equity investments to the EU Taxonomy objective of sustainable use and protection of water and marine resources. However, the Investment Manager is currently not in a position to specify the proportion of the Sub-Fund's sustainable investments which specify the exact proportion of the Sub-Fund's underlying investments which take into account the EU criteria for environmentally sustainable economic activities. The minimum extent of sustainable investments with an environmental objective aligned with the EU Taxonomy is therefore assessed to be 0%.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules. **Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective. **Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**
 - Yes:
 - In fossil gas In nuclear energy
 - No



- **What is the minimum share of investments in transitional and enabling activities?**
The minimum share of investments in transitional and enabling activities is assessed to be 0%.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Sub-Fund will make a minimum of 75% in sustainable investments with an environmental objective. These investments could be aligned with the EU Taxonomy but the Investment Manager is not currently in a position to specify the exact proportion of the Sub-Fund's underlying investments which take into account the EU criteria for environmentally sustainable economic activities.



What is the minimum share of sustainable investments with a social objective?

Not applicable. The Sub-Fund does not intend to invest in sustainable investments with a social objective.

¹Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The Sub-Fund may hold ancillary liquidity (cash) to serve the payment of fees and expenses, payment of purchased securities, subscription monies, serve redemption requests and fixed-income securities and money market instruments for liquidity management. The Sub-Fund may also, for the purpose of hedging (incl. currency hedging) and the efficient management of the portfolio, make use of derivative financial instruments

These instruments are not expected to detrimentally affect the delivery of the sustainable investment objective.

No minimum social and environmental safeguards are applied to these investments.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.tareno-globalwatersolutionsfund.ch/en/sustainability-credentials/> under SFDR Website Disclosure.