

**Principal Adverse Impact Policy  
("PAI Policy")  
of Structured Invest S.A.**

**May 2024**

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## I. Legal framework

Structured Invest S.A. (hereafter “SI”) is a management company established under Luxembourg law and a 100% subsidiary of UniCredit International Bank (Luxembourg) S.A.

SI is authorized under chapter 15 of the law of 17 December 2010 relating to undertakings for collective investment as amended (“Law of 2010”) and is furthermore authorized as alternative investment fund manager pursuant to chapter 2 of the law of 12 July 2013 relating to alternative investment fund managers as amended (“AIFM Law”).

## II. Sustainability-related disclosures in the financial services sector

### *Regulation on Sustainability-Related Disclosure Requirements (“SFDR”)*

On 27 November 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector (hereinafter “SFDR”) was published and entered into force on 10 March 2021.

The main objective of the SFDR is to create transparency on

- how sustainability risks are considered in the management of investment funds; and
- if principal adverse impacts of investment decisions on sustainability factors (“comply or explain”) are considered in the management of investment funds.

### *Technical Standards for SFDR*

On 25 July 2022, Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 containing technical standards to be used by financial market participants when disclosing sustainability-related information under the Sustainable Finance Disclosures Regulation (SFDR) was published and started to apply on 1 January 2023.

This Delegated Regulation specifies the exact content, methodology and presentation of the information to be disclosed, thereby improving its quality and comparability.

The Technical Standards have been amended by Commission Delegated Regulation (EU) 2023/363 of 31 October 2022, published on 17 February 2023 and started to apply on 20 February 2023. These amendments require financial market participants to disclose the extent to which their portfolios are exposed to gas and nuclear-related activities that comply with the Taxonomy, as set out in the Complementary Climate Delegated Act (CDA).

These transparency requirements apply in principle to both SI and the managed investment funds.

## III. Purpose of this policy

This policy describes SI's decision to take into account principal adverse impacts (hereinafter “PAIs”) on investment decisions on sustainability factors. Though SI initially choose not to take PAIs into account at an entity level in

line with Art. 4 (1b) SFDR as the assessment of available quantitative data proved to not meet the internal quality standards of SI for the year 2022.

Therefore, SI did not publish a quantitative PAI statement complying with Annex I of the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (SFDR-RTS) covering the reference period from 1<sup>st</sup> of January 2022 to 31<sup>st</sup> December 2023.

With an increase of systematically available PAI data, SI has decided to start publishing PAI statements starting with the reference period of 1<sup>st</sup> January – 31<sup>st</sup> December 2024 and thereafter.

## **IV. Policy review**

This policy will be reviewed and updated annually, and on an ad hoc basis in case of relevant changes to the organizational structure of SI, in case of amendments to the regulatory framework governing this policy or if otherwise deemed necessary.

## **V. Principal adverse impacts – Regulatory framework & context**

### **a. Principal adverse impacts – Context of the SFDR**

Principal adverse impacts are to be understood as those impacts of investment decisions that result in negative effects on sustainability factors (recital 20 of the SFDR). The SFDR is requiring both, SI as well as the managed investment funds, in Article 4 (1) respectively Article 7 of the SFDR to decide if PAIs are to be considered.

There are no further clarifications or definitions to be found in the SFDR with respect to the concept of principal adverse impacts.<sup>1</sup>

### **b. Principal adverse impacts – Sustainability Factors and Sustainability Indicators**

According to article 2 (24) SFDR sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. For each sustainability factor different underlying sustainability indicators can in principle be identified (e.g. carbon footprint, wage equality, compliance with the requirements of the General Data Protection Regulation, Regulation (EU) 2016/679).

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<sup>1</sup> Clarifications are provided by the Commission Delegated Regulation (EU) 2022/1288 containing technical standards to be used by financial market participants when disclosing sustainability-related information under SFDR with regard to the content, methodologies and presentation of disclosures pursuant to article 2a (3), article 4 (6) and (7), article 8 (3), article 9 (5), article 10 (2) and article 11 (4) of the SFDR. These Regulatory Technical Standards started to apply on 1 January 2023.

### c. Principal adverse impacts – Sustainability Risk

The SFDR is establishing a link between the requirement to consider sustainability risks<sup>2</sup> in the investment decision-making process (article 3 SFDR) and the consideration of principal adverse impacts of investment decisions on sustainability factors (article 4 SFDR). Both concepts share the same core foundation, i.e. they commence with the identification and consideration of relevant sustainability indicators.

In general, the identification and consideration of relevant sustainability indicators are inter alia dependent on the investment strategy as well as the geographical and sectoral focus of the managed investment funds. The monitoring of relevant sustainability indicators allows to establish a better and more informed understanding regarding the identification of (potential) sustainability risks. Further the assessment of certain sustainability indicators may be prioritized within the investment decision-making process to eliminate or at least mitigate sustainability risks.

### d. Principal adverse impacts – Requirements of the SFDR relevant for this policy

The SFDR imposes transparency requirements on SI only concerning the consideration of PAIs. The transparency requirements require that SI explains how PAIs are considered at Company level. As SI complies with article 4 (1) of the SFDR no further disclosure for the managed investment funds with respect to article 7 (2) SFDR is required.

|                            | Summary of requirements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Level                         | Implementation             |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|
| <b>Art. 4 (1)<br/>(a)</b>  | Publication on the website where the Company considers principal adverse impacts of investment decisions on sustainability factors and a statement on due diligence policies with respect to those impacts, taking due account of the Company's size, the nature and scale of the Company's activities and the types of financial products the Company make available.                                                                                                                                                                                                                                                                                                                                                                                                                  | Entity<br>(Structured Invest) | Description in this policy |
| <b>Art. 4 (2)<br/>SFDR</b> | <p>In the publication made in accordance with article 4 (1) (a) SFDR the Company shall include at least the following:</p> <ul style="list-style-type: none"> <li>a) information about the policies on the identification and prioritisation of principal adverse sustainability impacts and indicators;</li> <li>b) a description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned;</li> <li>c) brief summary of the engagement policy in accordance with Article 3g of the Shareholder Rights Directive II (Directive 2007/36/EC), where applicable;</li> <li>d) a reference to the adherence to responsible business conduct codes and internationally recognised standards for due diligence and</li> </ul> | Entity<br>(Structured Invest) | Description in this policy |

<sup>2</sup> Article 2 (22) of the SFDR defines sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

|  |                                                                                                        |  |  |
|--|--------------------------------------------------------------------------------------------------------|--|--|
|  | reporting and, where relevant, the degree of the alignment with the objectives of the Paris Agreement. |  |  |
|--|--------------------------------------------------------------------------------------------------------|--|--|

## **VI. Principal adverse impacts – Integration in the investment decision-making process**

### **a. Principal adverse impacts – Organizational setup of the portfolio management function**

SI is responsible for exercising the portfolio management function for the managed investment funds. The portfolio management function of the investment funds can in principle be structured as follows:

- the portfolio management function is performed by SI (with/without the involvement of an investment advisor);
- the portfolio management function is delegated to a qualified third party.

### **b. Principal adverse impacts – Scope of application and current inherent limitations**

SI considers principal adverse impacts of investment decisions on sustainability factors.

The ability to consider principal adverse impacts depends substantially on the availability of relevant data and information for the invested assets. As stated further above, the availability, quality and saturation of relevant data and information for the systematic assessment of sustainability indicators and consideration of principal adverse impacts has improved, however, is still for the time being not deemed adequate for all asset classes in which the managed investment funds invest, therefore data coverage will vary substantially across assets / asset classes).

1. A distinction needs to be made between:

- Funds managed by SI (with/without the involvement of an investment advisor); and
- Funds managed by a third-party portfolio manager;

whereas the consideration and potential impact on principle adverse impacts is the highest for funds that are managed by SI due to the nature of direct control SI exerts.

Meanwhile, the impact SI has on the definition and consideration of principal adverse impacts of financial products managed by a third-party portfolio manager is limited to certain specific requirements that all delegated managers need to adhere to, such as exclusion criteria via blacklists.

2. In principle, SI will consider the principle adverse impacts of investment decisions on sustainability factors for all financial products that qualify:

- as article 6 funds under the SFDR (consideration of sustainability risks);

- as article 8 funds under the SFDR (consideration of sustainability characteristics); and
- as article 9 funds under the SFDR (pursuing a sustainable investment strategy)

3. It should be differentiated that there are products that:

- actively consider PAIs and their involvement in the investment decisions; and
- do not actively consider PAIs in their investment decisions.

SI will regularly reassess the availability, quality and saturation of relevant data and information with the aim to expand the consideration of principal adverse impacts.

### c. Principal adverse impacts – Identification and prioritization of principal adverse impacts

The identification and prioritization of principal adverse impacts of investment decisions on sustainability factors require the consideration of various elements by SI as portfolio manager:

|                                                              | Elements (non-exhaustive)                                                                           | Relevant considerations (non-exhaustive)                                                                            |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Identification & prioritisation of principal adverse impacts | Regulatory minimum requirements                                                                     | SFDR                                                                                                                |
|                                                              |                                                                                                     | EU Taxonomy Regulation (EU) 2020/852                                                                                |
|                                                              | Investment strategy                                                                                 | Asset classes to be invested into                                                                                   |
|                                                              |                                                                                                     | Listed assets vs. unlisted assets                                                                                   |
|                                                              |                                                                                                     | Geographical considerations regarding the assets                                                                    |
|                                                              |                                                                                                     | Industry sectors of the invested assets                                                                             |
|                                                              | SFDR classification                                                                                 | Qualification of the investment fund as article 9 funds under the SFDR (pursuing a sustainable investment strategy) |
|                                                              |                                                                                                     | Qualification of the investment fund as article 8 funds under the SFDR (consideration of E/S characteristics)       |
|                                                              |                                                                                                     | Qualification of the investment fund as article 6 funds under the SFDR (consideration of sustainability risks)      |
|                                                              | Sustainability strategy (taking into consideration the investment strategy and SFDR classification) | Description of the sustainability strategy <sup>3</sup>                                                             |
|                                                              |                                                                                                     | Identification of relevant sustainability indicators to be considered in the investment decision-making process     |
|                                                              |                                                                                                     | Prioritisation of sustainability indicators that are essential to the delivery of the sustainability strategy       |
|                                                              |                                                                                                     | Definition of relevant limits for the relevant sustainability indicators                                            |
|                                                              |                                                                                                     | Definition of the binding elements of the sustainability strategy in the investment decision-making process         |
|                                                              |                                                                                                     | Quantitative or qualitative assessment of the relevant sustainability indicators                                    |
| Disclosure                                                   | Integration in the pre-contractual and website disclosures (art. 8, 9, 10 SFDR)                     |                                                                                                                     |

For the identification and prioritisation of relevant sustainability indicators, SI as portfolio manager is considering different external sources (e.g. data provider, materiality map provided by the Sustainability Accounting Standards Board) during pre-trade assessment. Based on this assessment, the relevant sustainability indicators that are identified as material for the delivery of the sustainability strategy are prioritised and in accordance with SFDR provisions reflected in the pre-contractual and website disclosures in accordance with Article 8 and Article 9 SFDR respectively Article 10 SFDR. For the quarterly assessment and

<sup>3</sup> i.e. focus of the strategy on defined environmental and/or social aspects provided that good governance practices are adhered to.

collection of principle adverse impacts, SI utilizes the data provider ISS as a single data source to collect all relevant quantitative data points.

Relevant sustainability indicators<sup>4</sup> that can be taken into consideration may include greenhouse gas emissions, energy consumption for non-renewable sources, violations of the UN Global Compact principles, board gender diversity of investee companies or consideration of convictions and fines for violation of anti-corruption and anti-bribery laws.

#### **d. Principal adverse impacts – Description of the principal adverse sustainability impacts and of any related actions taken or planned**

The requirement to consider principal adverse impacts of investment decisions on sustainability factors applied from 10 March 2021. The collection of data and information started as from 10 March 2021 and the related actions are based on the results and assessment of the first full reporting period.

#### **e. Principal adverse impacts – Engagement**

SI has published its engagement policy in accordance with the requirements of article 3g of Directive 2007/36/EC (Shareholder Rights Directive II) on the website [www.structuredinvest.lu](http://www.structuredinvest.lu)

#### **f. Principal adverse impacts – Adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting**

SI is authorized and supervised by the CSSF. Therefore, SI is subject to substantial regulatory provisions (EU, Luxembourg, CSSF) that in detail address the requirements of business conduct, due diligence, and reporting.

Luxembourg, May 2024

Structured Invest S.A.

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<sup>4</sup> Legally required considerations such as exclusion of companies associated with cluster munitions are per default considered.