STONEHAGE FLEMING INVESTMENT MANAGEMENT (LIECHTENSTEIN) AG

EXPLANATION OF THE QUERY FOR SUSTAINABILITY PREFERENCES

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NOW AND FOR FUTURE GENERATIONS

1. INTRODUCTION

The United Nations has defined 17 development goals, the so-called Global Goals, for sustainable development. To achieve these goals, the European Union also wants to hold the financial services industry accountable.

The development towards more sustainability is referred to as ESG. Economic activities should also serve these goals of ecology, social justice and the principles of good governance. Companies are considered sustainable if they try to achieve these goals through their economic activities.

The European legislator obliges institutions to ask their customers about their preferences on sustainability issues. The sustainability preference is the decision of a customer whether and to what extent he wants to consider financial instruments that take sustainability aspects into account in his investment. Art. 2 No. 7 of Regulation (EU) 2017/565 provides several alternatives for this purpose. The sustainability preferences available for selection are explained below.

2. THE SUSTAINABILITY PREFERENCES

The European legislator would like to offer you as a customer the following sustainability preferences to choose from:

2.1 SUSTAINABILITY ACCORDING TO THE TAXONOMY ORDINANCE

The strictest sustainability preference is the one according to Art. 2 No. 7 a) IR 2017/565, which allows you to determine whether a minimum share should be invested in environmentally sustainable investments within the meaning of Article 2 No. 1 of Regulation (EU) 2020/852. These are financial instruments that comply with the Taxonomy Regulation, i.e. the EU's set of rules defining ecological investments. These are economic activities that make a significant contribution to the achievement of one of the environmental objectives according to Art. 9 of the Taxonomy Regulation and do not entail any significant impairment of the other environmental objectives.

The so-called taxonomy is intended to determine which economic activity may be classified as sustainable/ecological. 6 environmental goals are defined:

- Climate protection
- Adaptation to climate change

- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

According to the Taxonomy Ordinance, an economic activity by a company is classified as environmental if it substantially promotes at least one of the six environmental objectives listed above and does not substantially impair the other environmental objectives.

The technical details are defined by so-called delegated acts.

To meet the taxonomy's requirements, companies must ensure compliance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the fundamental principles and rights from the 8 core conventions set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and from the International Bill of Human Rights.

The benchmarks from the taxonomy would ensure the highest possible level of sustainability for you. However, it may be that, especially in the first phase of implementing the sustainability preferences, there are not yet enough financial instruments available on the market that meet these requirements.

2.2 SUSTAINABILITY IN ACCORDANCE WITH THE DISCLOSURE REGULATION

The second sustainability preference that you as a client can choose are financial instruments where you as a client specify that a minimum proportion should be invested in sustainable investments as defined in Article 2(17) of Regulation (EU) 2019/2088, the so-called Disclosure Regulation.

These are economic activities that contribute to the achievement of an environmental objective, measured for example by key indicators of resource efficiency in the use of energy, renewable energy, raw materials, water and soil, of waste generation and greenhouse gas emissions, or of impacts on biodiversity and the circular economy, or an investment in an economic activity, that contributes to the achievement of a social objective, in particular an investment that contributes to the fight against inequalities or promotes social cohesion, social inclusion and labour relations, or an investment in human capital or for the benefit of economically or socially disadvantaged groups, provided that principles of good corporate governance are also applied.

If you as a client choose this sustainability preference, you would be opting for a medium level of sustainability. We can use our own judgement and discretion to decide whether an issuer meets these criteria and may therefore be included in your investment.

2.3 SUSTAINABILITY PREFERENCE THROUGH CONSIDERATION OF PAIS

The third sustainability preference is the decision by you as a client to consider financial instruments that take into account the most significant adverse impacts on sustainability factors, where the qualitative or quantitative elements used to demonstrate this consideration are determined by the client or potential client. Definitions can be found in Art. 4, 6 and 7 of the Disclosure Regulation.

The adverse impacts on sustainability factors are determined using so-called sustainability indicators. These sustainability indicators are

1. Greenhouse gas emissions,
2. carbon footprint,
3. the general greenhouse gas emission intensity of a company,
4. Company's commitment to the fossil fuel sector,

5. Share of energy consumption and generation from non-renewable energy sources,
6. Intensity of energy consumption by climate-intensive sectors,
7. Impact on areas with biodiversity in need of protection,
8. Water consumption of a company,
9. Proportion of hazardous and radioactive waste,
10. Violations of the UNGC Principles and the OECD Guidelines for Multinational Enterprises,
11. lack of compliance processes and mechanisms to comply with the UNGC Principles and the OECD Guidelines for Multinational Enterprises,
12. gender pay gap,
13. Gender diversity in governing and supervisory bodies,
14. Engagement in controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons),

For investments in states and supranational organisations:

- Greenhouse gas emission intensity,
- Violation of social provisions and the United Nations Conventions

When investing in real estate:

- Exposure to fossil fuels through investment in real estate,
- Engagement in properties with poor energy efficiency.

We have defined companies that pursue a dedicated ESG strategy with consideration of the standard PAIs on environmental and/or social topics as companies that take material PAIs into account. In addition, these companies must take into account minimum exclusions. These minimum exclusions mean:

For companies:

- Military equipment over 10% (outlawed weapons over 0%)
- Tobacco production over 5%
- Coal over 30%

Serious violations of UN Global Compact (without positive perspective):

- Protection of international human rights
- No complicity in human rights violations
- Upholding the freedom of association and the right to collective bargaining
- Elimination of forced labour
- Abolition of child labour
- Elimination of discrimination in employment and occupation
- Precautionary principle in dealing with environmental problems
- Promoting greater environmental awareness
- Development and dissemination of environmentally friendly technologies
- Advocacy against all forms of corruption

No serious violations of democracy and human rights for state emitters.

In addition, issuers must accept a recognised industry standard for the implementation of good corporate governance practices.