

Principal Adverse Impact Statement

June 2021

This is a statement on due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors required as per Article 4 of SFDR (EU Regulation 2019/2088) by 30 June 2021

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1 Purpose and scope

This document follows the requirements of Article 4 from the Sustainable Finance Disclosure Regulation ("SFDR"), EU Regulation 2019/2088, regarding the consideration of Principal Adverse Impacts ("PAIs") at entity level.

As mentioned in the Article 4(1) of the SFDR, the decision to consider the Principal Adverse Sustainability Impacts should be made by the financial player. CapitalAtWork Foyer Group SA ("CapitalAtWork"), being a subsidiary of Foyer Group SA, counting more than 500 employees, will be taking these impacts into account in its investment process and report on them as requested by the SFDR and upcoming RTS guidelines. The depth of the reporting will evolve in parallel of the type of data and indicators available on the market.

Following Article 4 of SFDR, by 30 June 2021, financial market participants considering Principal Adverse Impacts at entity level shall publish a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors.

For CapitalAtWork, following the decision of taking into account principal adverse impacts on sustainability factors, the objective of this document is to provide an overview of due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors required as per Article 4 of SFDR by 30 June 2021.

2. Introduction

At CapitalAtWork, we recognize the importance of transparency on sustainability-related disclosures in the financial services sector. Therefore, we are

committed to provide transparency on the consideration of adverse sustainability impacts in our processes and the provision of sustainability-related information with respect to financial products.

3. Identification and prioritization of principal adverse impacts and indicators

The CapitalAtWork approach for addressing the obligation of reporting on Principal Adverse Impact is composed of three elements.

1. For all products, CapitalAtWork is collecting this information on a best-effort basis. The principal adverse impacts are monitored for the SICAV and Managed Accounts. For the SICAVs for which it is Investment Manager ("the SICAVs") and the Managed Accounts, CapitalAtWork considers the principal adverse impacts (PAIs) of investment decisions on sustainability factors and has put in place due diligence policies with respect to those impacts including the analysis of the financial instruments including but not limited to corporate bonds, government bonds and equities. Within the scope for non-ESG products, CapitalAtWork is monitoring the principal adverse impact but it is not necessarily excluding those non-compliant products from the investment decisions.
2. For investments made by its clients, CapitalAtWork is not currently able to collect principal adverse impacts of investment decisions on sustainability factors due to the lack of reliability and availability of the data. Additionally, CapitalAtWork is not currently able to

cover instruments including, but not limited to investments in commodities, warrants, funds on bonds, ETFs, real estate, hedge funds, mixed funds, monetary funds and SIFs.

3. For the SFDR Article 8 products, CapitalAtWork is both monitoring the principal adverse impacts and excluding those non-compliant companies from the investment decisions, aligning with the ESG strategy of the funds.

The principal adverse impacts that CapitalAtWork identifies include:

- With the first level of priority, monitoring on whether investee companies are compliant with the UN Global Compact;
- Secondly, whether the investee companies are linked to a sector with a high risk of providing a detrimental impact to the environment and society;
- Thirdly, collecting information on whether the investee companies have controversies resulting in an adverse impact from the environmental, social and governance perspective.



CapitalAtWork is able to identify and monitor these principal adverse impacts through the data collected from Sustainabilitytics.

4. Description of PAIs

The principal adverse impacts consideration includes the check of whether investee

companies do not breach any of the UN Global Compact principal, sector and controversy analysis

4.1 UN Global Compact

Regarding the UN Global Compact, CapitalAtWork performs checks related to breaches on the following principles:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment





- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

4.2 Sector monitoring

The sector monitoring includes the following scope (with exclusion and restriction applicable only to SFDR Article 8 products):

	Arctic Oil and Gas	Extraction – Full exclusion
	Oil Sands Shale Energy	Extraction – Full exclusion
	Controversial Weapons ¹	Production – Full exclusion
	Thermal Coal	Extraction – Full exclusion Power Generation >10% of revenues
	Nuclear	Production and Distribution – Full exclusion Supporting Products and Services >5% of revenues
	Tobacco	Production – Full exclusion Tobacco-related product and services >25% of revenues Retail >25% of revenues
	Pornography	Production – Full exclusion Distribution > 10% of revenues
	Military Contracting	Production and distribution of weapon-linked >5% of revenues Production and distribution of non-weapon-linked >10% of revenues
	Conventional Oil & Gas	Supply of natural gas or renewables energy < 40% of revenues
	Electricity Generation	Carbon intensity >393gCO ₂ /kWh ² or Coal production >10% of revs O&G production >30% of revs Nuclear production >0% of revs
	Alcoholic Beverages	Existence of a Corporate Responsible Policy
	Gambling	Existence of a Corporate Responsible Policy

^[1] Includes nuclear weapons, biological weapons, chemical weapons, non-detectable fragments, blinding laser weapons, anti-personnel mines, cluster munitions, incendiary weapons and depleted uranium ammunition

^[2] Max carbon intensity of 393gCO₂/kWh in 2021, 374 gCO₂/kWh in 2022, 354 gCO₂/kWh in 2023, 335 gCO₂/kWh in 2024, 315 gCO₂/kWh in 2025

4.3 Controversy monitoring

CapitalAtWork collects information regarding controversies of investee companies based on their intensity. The controversy intensity level is ranked from 1 (lowest intensity) to 5 (highest intensity). The controversy level specifies the negative intensity of company-related events on the environment or society, and risks to the company itself.

5. Adverse impact mitigation for Article 8 products

For the funds ESG Equities at Work and ESG Bonds at Work part of the CapitalAtWork Foyer Umbrella SICAV CapitalAtWork considers the principal adverse impacts (PAIs) of investment decisions on sustainability factors and has put in place due diligence policies with respect to monitoring those impacts. Aligned with the strategy of these products, CapitalAtWork also excludes those investments not compliant with the principal adverse impact performed through UN Global Compact, sector and controversies' checks.

For these funds, CapitalAtWork approaches PAIs of investee companies through the application of a norm-based approach exclusion. CapitalAtWork follows the UN Global Compact standards principles that act as the basis to meet fundamental responsibilities relying on Human Rights, Labor Rights, the Environment and Anti-Corruption, followed by a sector and a controversy exclusion check. Additionally, for these funds, a best-in-class security selection is in place aligned with their ESG strategy.

The due diligence policy linked to the norm-based approach exclusion includes a check for breaches

of the UN Global Compact standards when forming investment cases. The due diligence policy also includes periodic reviews of compliance and ex-post monitoring of the investments considering these standards. When a breach is identified, there is an existing process to divest from the investment.

Additionally, CapitalAtWork aims to mitigate the adverse impacts on sustainability factors by excluding companies that that operate or are involved in industries considered inadequate as per Section 4.2. CapitalAtWork considers these sectors to be at a high risk of creating a negative impact on sustainability dimensions. CapitalAtWork has established a due diligence policy that explicitly checks the involvement on those industries during the investment decision-making process and the periodic monitoring of investments. When a breach is identified, there is an existing process to divest from the investment. Controversies are monitored as discussed in Section 4.3. For the products with environmental and social characteristics, the controversy intensity level is considered in the investment decision process. When the investee company has a rank of 1 or 2 the company can be selected; for controversy level 3 or 4 a case-by-case analysis is performed, and for companies with a controversy level of 5 are directly excluded from the investment process.



CapitalAtWork has established a due diligence policy that explicitly checks controversy level intensity periodic monitoring of investments. When

a breach is identified, there is an existing process to divest from the investment.

6. Application of the RTS

As per the 1 of January 2022, CapitalAtWork aims to comply with the requirements of the final draft Regulatory Technical Standards (RTS) regarding the disclosure of principal adverse impacts, subject to the approval of the European Commission (EC). CapitalAtWork is currently working to establish all the necessary mechanisms to be able to monitor the principal adverse indicators as per the final draft RTS for the reference period 1 January 2022 – 31 December 2022.

7. CapitalAtWork engagement policy

CapitalAtWork has in place an engagement policy in accordance with SRDII regulation, Shareholder Rights Directive II, Directive EU 2017/828 (amending Directive 2007/36/EC).

CapitalAtWork monitors the companies in the shares of which we invest under different angles including strategy, financial and non-financial performance and risk, capital structure, corporate governance and environmental and social impact. We follow a materiality principle.

The monitoring and engagement process with the investee company includes a voting policy, cooperation with other shareholders and the management of conflicts of interest.

This Engagement Policy is reviewed and approved annually and is publicly available on CapitalAtWork's website. More information regarding the engagement policy is available on CapitalAtWork website: www.capitalatwork.com

8. CapitalAtWork business conduct

CapitalAtWork follows a Socially Responsible Investment (SRI) Policy. The three pillars of our SRI are Integration, Transparency and Commitments. At CapitalAtWork, we are committed to the norm-based exclusion strategy and controversy analysis for our ESG products.

CapitalAtWork approves the UN Global Compact standards. The UN Global Compact is a United Nation initiative that encourages businesses worldwide to adopt and promote sustainable and socially responsible policies. The initiative also encourages the participants to report the implementation of their policies and widespread good practices among all industries. Started in 2000, the main guidelines follow 10 principles that act as the basis to meet fundamental responsibilities relying on Human Rights, Labor Rights, the Environment and Anti-Corruption.

CapitalAtWork is an associate member of LuxFLAG. The Luxembourg Finance Labelling Agency (LuxFLAG) aims to promote the raising of capital for sustainable investments by awarding a recognizable label to eligible investment vehicles. The LuxFLAG ESG Label aims to reassure investors that the Investment Product incorporates ESG (Environmental, Social, and Governance) criteria throughout the entire investment process. The eligibility criteria for the ESG Label require applicant funds to screen 100% of their invested portfolio according to one of the ESG strategies and standards recognized by LuxFLAG. All of CapitalAtWork's SFDR Article 8 products (*ESG Bonds at Work* and *ESG Equities at Work*) hold the LuxFLAG ESG label.

CapitalAtWork is also an associate member of "Towards Sustainability". This initiative aims to

help all retail and institutional investors looking for more sustainable savings and investment solutions. The label aims to instill trust and reassure potential investors that the financial product is managed with sustainability in mind and is not exposed to very unsustainable practices. All of CapitalAtWork's SFDR Article 8 products (*ESG*

Bonds at Work and *ESG Equities at Work*) hold the Towards Sustainability label.

For more information, please refer to our Socially Responsible Investment Methodology, available on CapitalAtWork's website:
www.capitalatsork.com