

# Statement on principal adverse impacts of investment decisions on sustainability factors

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**Financial Market Participant:** Banque J. Safra Sarasin (Luxembourg) SA

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## **1. Summary**

Banque J. Safra Sarasin (Luxembourg) SA (“BJSSL”) as part of the J. Safra Sarasin Group (the “Group”) considers principal adverse impacts on sustainability factors. This principal adverse impact statement covers the reference period from 1 January to 31 December 2024.

Principal adverse impacts (“PAI”) are negative, material or likely to be material effects on environmental, social and employee matters that are caused, compounded by or directly linked to investment decisions taken by the investment managers appointed by J. Safra Sarasin Asset Management (“JSS AM”). Following principal adverse impacts were considered over the period to the extent possible considering data availability<sup>1</sup>:

1. GHG emissions
  2. Carbon footprint
  3. GHG intensity of investee companies
  4. Exposure to companies active in the fossil fuel sector
  5. Share of non-renewable energy consumption and production
  6. Energy consumption intensity per high impact climate sector
  7. Activities negatively affecting biodiversity-sensitive areas
  8. Emissions to water
  9. Hazardous waste ratio
  10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
  11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
  12. Unadjusted gender pay gap
  13. Board gender diversity
  14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
  15. GHG intensity
  16. Investee countries subject to social violations
  17. Exposure to fossil fuels through real estate assets
  18. Exposure to energy-inefficient real estate assets
  19. Investments in companies without carbon emission reduction initiatives (PAI 4, Annex I, Table 2 of CDR 2022/1288)
  20. Number of identified cases of severe human rights issues and incidents (PAI 14, Annex I, Table 3 of CDR 2022/1288)
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<sup>1</sup> For discretionary mandates (Art. 8, 9 and 6), PAI are considered to the extent that JSS AM has full discretion over the assets held. In some cases, e.g. third-party funds, JSS AM cannot guarantee that all PAI are considered to the same extent or as per the methods described below.

## 2. Description of principal adverse sustainability impacts

Indicators applicable to investments in investee companies								
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS								
Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Eligible Assets <sup>2</sup> % (Coverage <sup>3</sup> %)	Actions taken, and actions planned and targets set for the next reference period	
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	16'471 tCo2	10'653 tCo2	7'449 tCo2	Absolute Emissions increase due to extended reporting scope. Last year 64%. Calculation: Weight Adjustment	87% / (81%)	<p>The most harmful fossil fuel activities are excluded. Companies that simultaneously have a significant involvement in the coal business and lack a solid transition strategy towards a low-carbon economy (revenue threshold: 5% for coal extraction and 10% for power generation and 10% for the sum of both) are excluded from sustainable strategies.</p> <p>Additionally, in sectors where carbon emissions are considered to be a material ESG factor, the JSS Sustainability Matrix captures a company's performance on carbon emissions. This includes an assessment of a company's programs or actions to reduce the emissions intensity of core operations, to reduce future energy consumption, or its GHG Emissions (scope 1, 2 &amp; 3).</p> <p>In sectors where opportunities in renewable energy are considered to be a material ESG factor, the JSS Sustainability Matrix captures a company's performance on renewable energy. This includes an assessment of a company's renewable capacity.</p> <p>In May 2020, JSS AM launched a Climate Pledge aiming for a carbon-neutral outcome by 2035. Controls on greenhouse gas (GHG) emissions are conducted by means of the Carbon Footprint and applicable to a subset of products.</p> <p>The Climate Pledge is increasingly applied to sustainable investment strategies and is tracked by the backward-looking decarbonisation pathways to mitigate transition risks. The methodology defines the target setting as a 30% reduction of the benchmark GHG emissions footprint and reduced the following years by 7% on average. From 2030 onwards, the target reduces linearly until net zero is</p>
		Scope 2 GHG emissions	7'521 tCo2	5'653 tCo2	3'654 tCo2	Absolute Emissions increase due to extended reporting scope. Last year 64%. Calculation: Weight Adjustment	87% / (81%)	
		Scope 3 GHG emissions	216'776 tCo2	173'032 tCo2	95'343 tCo2	Absolute Emissions increase due to extended reporting scope. Last year 65%. Calculation: Weight Adjustment	87% / (81%)	
		Total GHG emissions	240'782 tCo2	190'988 tCo2	106'357 tCo2	Absolute Emissions increase due to extended reporting scope. Last year 56%. Calculation: Weight Adjustment	87% / (81%)	
	2. Carbon footprint	Carbon footprint	289 t/€M	297 t/€M	306 t/€M	Calculation: Weight Adjustment	87% / (81%)	
3. GHG intensity of investee companies	GHG intensity of investee companies	664 t/€M	628 t/€M	1'126 t/€M	Calculation: Weight Adjustment	87% / (86%)		
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	4%	5%	5%	Calculation: Zero Imputation	87% / (85%)		
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	65%	58%	73%	Increase due to extended reporting scope. Last year 50%. Calculation: Weight Adjustment	87% / (78%)		

<sup>2</sup> Eligible Assets %: % of the AUM, which could provide data. For a portfolio containing 20% corporate AUM and 80% sovereign AUM, the Eligible Assets% is 20% for corporate PAI metrics and 80% for sovereign PAI metrics. Please note that the Eligible Assets % for 2024 has been calculated using a weighted average across all four quarters of the financial year.

<sup>3</sup> Coverage %: % of the AUM, which effectively provide data. A portfolio that contains 20% corporate AUMs of which only half effectively provide data shows a Coverage % of 10% for a corporate PAI metric. Please note that the Coverage % for 2024 has been calculated using a weighted average across all four quarters of the financial year.

6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Agriculture, Forestry and Fishing (NACE A)	0 GWh/€M	0 GWh/€M	0 GWh/€M	Calculation: Weight Adjustment	0% / (0%)	achieved in 2035. Sustainable strategies will continue to be added to the Climate Pledge over the coming years.
		Mining and Quarrying (NACE B)	0.02 GWh/€M	0.02 GWh/€M	0.02 GWh/€M	Calculation: Weight Adjustment	1% / (1%)	
		Manufacturing (NACE C)	0.44 GWh/€M	0.18 GWh/€M	0.21 GWh/€M	Calculation: Weight Adjustment	35% / (34%)	
		Electricity, Gas, Steam and Air Conditioning Supply (NACE D)	0.03 GWh/€M	0.02 GWh/€M	0.04 GWh/€M	Calculation: Weight Adjustment	1% / (1%)	
		Water Supply; Sewerage; Waste Management and Remediation Activities (NACE E)	0.02 GWh/€M	0.00 GWh/€M	0.01 GWh/€M	Calculation: Weight Adjustment	0% / (0%)	
		Construction (NACE F)	0.00 GWh/€M	0.01 GWh/€M	0.00 GWh/€M	Calculation: Weight Adjustment	1% / (1%)	
		Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (NACE G)	0.01 GWh/€M	0.01 GWh/€M	0.01 GWh/€M	Calculation: Weight Adjustment	6% / (6%)	
		Transporting and Storage (NACE H)	0.02 GWh/€M	0.02 GWh/€M	0.01 GWh/€M	Calculation: Weight Adjustment	2% / (2%)	
		Real Estate Activities (NACE L)	0.01 GWh/€M	0.00 GWh/€M	0.01 GWh/€M	Calculation: Weight Adjustment	1% / (1%)	
		Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	6%	0%	0%	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.04 t/€M	0.11 t/€M	248 t/€M	<p>Metrics with low Coverage % exhibit higher volatility.</p> <p>Calculation: Weight Adjustment</p>	87% / (1%)	In sectors with significant water emissions, the JSS Sustainability Matrix captures a company's performance on water management. Water management includes an assessment on water-

								efficient production processes, water intensity trends and measurable, time bound targets in water use reduction. Data coverage for this metric is extremely low. Where data is not available, an average of the available data is used.
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	2.26 t/€M	0.52 t/€M	0.95 t/€M	Increase due to extended reporting scope. Last year 27%. Calculation: Weight Adjustment	87% / (68%)	In sectors with significant toxic emissions and waste, the JSS Sustainability Matrix captures a company's performance on toxic emissions and waste management. Toxic emissions management includes an assessment on efforts to control and reduce the amount of toxic and carcinogenic by-products from operations, trends on toxic releases and measurable, time bound targets in toxic emissions reduction. Data coverage for this metric is extremely low.
<b>SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>								
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	0%	Calculation: Zero Imputation	87% / (87%)	JSS AM excludes companies involved in severe violations of UN GC Principles from all its investment strategies, and has a structured internal process and governance framework for managing such violations.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	77%	35%	52%	Coverage increased. Last year 83%. Calculation: Zero Imputation	87% / (85%)	The JSS Sustainability Matrix assesses investee companies' establishment and implementation of policies, monitoring systems, and grievance mechanisms related to adherence with UN Global Compact principles and OECD Guidelines for Multinational Enterprises. This assessment is integrated through the evaluation of relevant ESG Key Issues which inherently review these compliance structures.  JSS AM also continues its ongoing ESG incident monitoring, which includes screening for UNGC compliance violations.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	14%	12%	11%	Calculation: Weight Adjustment	87% / (60%)	The JSS Sustainability Matrix addresses the unadjusted gender pay gap through a risk-based monitoring approach, acknowledging current

								limitations in globally consistent, reliable, and comparable reported data. This involves screening for material controversies related to gender pay equity and discrimination. Where significant, such controversies can influence the JSS Social Controversy Multiplier, thereby impacting the overall JSS ESG score of the company.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	36%	32%	57%	Calculation: Weight Adjustment	87% / (82%)	JSS AM reviews board gender diversity through the exercise of its ownership rights, including proxy voting and company stewardship activities.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	0%	Calculation: Zero Imputation	87% / (87%)	The Group actively meets its responsibility when it comes to controversial weapons with a group-wide exclusion. The Group will not invest its own funds in securities of companies that are active in the domain of controversial weapons. In addition, the Group will not provide any asset management or investment advisory services to these companies or any services relating to capital markets or mergers & acquisitions.
<b>Indicators applicable to investments in sovereigns and supranationals</b>								
Environmental	15. GHG intensity	GHG intensity of investee countries	255.93 t/€M	204.28 t/€M	342.22 t/€M	Metrics with low Coverage % exhibit higher volatility. Calculation: Weight Adjustment	11% / (11%)	The Sovereign JSS ESG Rating, captures a countries' external environmental costs. GHG Emissions per capita is a metric assessed in this context.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Absolute number: 2 Relative number: 0%	Absolute number: 7 Relative number: 6%	Absolute number: 7 Relative number: 7%	Calculation: Zero Imputation	5% / (4%)	The Sovereign JSS ESG Rating, captures a countries' performance in the area of basic rights.
<b>Indicators applicable to investments in real estate assets</b>								
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A		N/A	JSS AM does not invest in direct real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A		N/A	JSS AM seeks to invest in energy-efficient real estate assets. If real estate assets do not meet the required energy-efficiency standards at the point of investment, JSS AM will improve the energy-

								efficiency of the property until they meet such standards.
<b>Other indicators for principal adverse impacts</b>								
Emissions	19. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	56%	22%	25%	Calculation: Zero Imputation	87% / (84%)	The JSS Sustainability Matrix captures a company's performance on carbon emissions. Carbon emissions management includes an assessment of a company's actions and initiatives to reduce carbon emissions.
Human Rights	20. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0.03	0.02	0.01	Calculation: Zero Imputation	87% / (85%)	The JSS Sustainability Matrix excludes companies with a human rights violation issue within the last 3 years. For existing holdings, JSS AM aims to divest within 1 month of identifying the violation.

### **3. Description of policies to identify and prioritise principal adverse sustainability impacts**

The Group, and BJSS as part of it, has developed and implemented policies to identify, prioritize and address principal adverse impacts. A brief summary of the relevant policies is provided below and the methodology used to incorporate the consideration of potential adverse impacts into the investment process is described in more detail in the Group Sustainable Investment Policy<sup>4</sup>. The latest version (May 2024) of this policy was approved by the governing body of BJSS on the 19<sup>th</sup> of June 2024.

#### Sustainable Investment Process

For sustainable investment strategies, the Group integrates material Environmental, Social and Governance (ESG) considerations into the investment process, from universe definition via investment analysis to portfolio construction and risk management and monitoring. The Group sustainable investment policy and strategy are based on international conventions and norms, including:

- The United Nations Global Compact,
- The OECD Principles of Corporate Governance,
- The OECD Guidelines for Multinational Enterprises,
- The Universal Declaration of Human Rights,
- The UN Guiding Principles on Business and Human Rights,
- The Children's Rights and Business Principles,
- The ILO conventions on labour standards,
- The Rio Declaration on Environment and Development,
- The UN Convention on Corruption,
- The Convention on Cluster Munitions

#### Exclusions

The Group applies standard criteria to exclude business practices that are in breach of global norms or represent controversial business activities. The exclusion criteria are embedded in all sustainable investment strategies. A full list of the controversial activities, as well as the exclusion methodology and applicable rules and thresholds is detailed in the Group Sustainable Investment Policy.

#### Controversial Weapons

The Group actively meets its responsibility when it comes to controversial weapons, and has implemented a policy outlining its principles in this area. Controversial weapons are types of weapons that are categorised as controversial because of their long-term humanitarian impact and/or the large numbers of civilian casualties they cause. They include biological, chemical and nuclear weapons, cluster munitions and anti-personnel mines. The Group has committed itself not to invest its treasury in companies that are active in the domain of controversial weapons. In addition, the Group will not provide any asset management or investment advisory services to these companies or any services relating to capital markets or mergers & acquisitions.

#### Climate Pledge

The JSS Climate Pledge aims for a carbon-neutral outcome by 2035. The JSS Climate Policy<sup>5</sup> details how the Climate Pledge is increasingly applied to sustainable investment portfolios. The latest version of this policy was approved in December 2024.

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<sup>4</sup><https://www.jsafrasarasin.com/en/expertise/sustainable-investments.html>

<sup>5</sup><https://www.jsafrasarasin.com/en/expertise/sustainable-investments.html>

## Governance

The Corporate Sustainability Board (“CSB”) is composed of members of the Group Executive Board and other key functional members and has overall responsibility for defining the sustainability strategy and approving the sustainability policies of the Group. The ESG Committee consists of select members of the Asset Management Board and decides on operational topics and implementation related to sustainable investments, such as key policies including the Sustainable Investment Policy and exclusion list.

At product-level, the Risk and Performance Committee (“RPC”) reviews performance and risk figures for each investment strategy compared to its predefined benchmark, strategic asset allocation or peer group. This monitoring includes the defined ESG and climate factors and respective targets. Large deviations are discussed and explained in the RPC.

## Methodologies to identify and prioritize principal adverse impacts

Adverse impacts are selected and prioritized according to their materiality and type as well as the investment strategy, ESG priorities and sustainable objective of the investment product. The Group considers an adverse impact on sustainability factors to be principal where it has a material, negative impact on efforts to accelerate transition to a low carbon economy and/or to advance inclusive growth.

The methodology to identify PAI is subject to data availability and quality. While the Group has diligently selected its data providers, it cannot rule out faulty assessments or deviations of its ESG assessment from other providers. This may be caused by factors such as faulty estimates by data providers or different views of data providers on material ESG key issues.

## Data sources

JSS uses publicly available data (e.g. company reports, press and internet search) as well as data from external service providers (such as MSCI ESG, Trucost, RepRisk, etc.) and its own proprietary tools and frameworks to identify, assess and monitor adverse impacts.

For investments where PAI data is not readily available, (especially with regard to alternative investments), JSS takes reasonable steps on a best-efforts basis, to obtain the relevant data, including sourcing data through the products' investment managers, subscribing to third party ESG data providers and engaging external consultants. Strategies where PAI data cannot be obtained and for which due to the nature of the investments, estimates cannot be made, are excluded from the current statement. JSS will continue to review the availability and accuracy of PAI data and will seek to include these strategies in a future version of this statement.

## Data estimations / margin of error

When direct data is missing, JSS applies one of the two data estimation approaches below. For each metric, the PAI statement indicates which approach is applied. The '**Estimated Data %**' is equal to '**Coverage Assets %**' divided by '**Eligible Assets %**'.

1. **Zero Imputation:** missing data is assumed to be zero in the weighted average calculation.
2. **Weight Adjustment:** existing data weights are proportionally increased to account for missing data. This method assumes the existing data is representative of the missing data.

When entire investment strategies, such as certain alternative investments (e.g., real estate, private equity), lack readily available PAI data, the Zero Imputation method is applied. This means their Assets Under Management (AUM) are included in the 'Eligible Assets %' (which forms the denominator for PAI ratios), but their contribution to the impact (the numerator) is considered zero. Consequently, this can lead to a lower overall reported PAI ratio compared to a calculation where only data-covered investments were assessed. To approximate the PAI intensity

specifically for the data-covered portion of these eligible assets, the reported PAI ratio can be divided by the 'Estimated Data %'.

The alternative investment strategies were not yet fully included within the scope of PAI calculations for the 2022 and 2023 reference periods. Their broader inclusion in the 2024 assessment, with zero-imputed impact due to current data limitations inherent to these asset classes, has contributed to a comparative decrease in the reported relative PAI values. This change in scope also explain shifts in the overall 'Eligible Assets %' and 'Coverage %' figures for 2024 compared to previous years.

#### **4. Stewardship policies**

JSS' engagement and voting approach are detailed in the Stewardship Policy<sup>6</sup> and Proxy Voting Guidelines<sup>7</sup> and activities are reported in the annual Stewardship Report<sup>8</sup>. JSS pursues the following four types of active ownership activities: direct company engagement, collaborative engagement, public policy engagement, and proxy voting. Engagements are targeted to enhance long-term shareholder value by promoting sound corporate governance and strong shareholder rights, as well as good social and environmental performance of investee companies.

For directly held investments, the following PAI indicator is predominantly addressed by the aforementioned stewardship policies:

- Board gender diversity

If an issuer does not respond or fails to respond in a satisfactory manner to engagement efforts, the engagement approach may be adapted in terms of the selection of engagement themes, as well as the process during engagements including escalation strategy and objectives setting. In addition, analysts may adjust the respective internal ESG rating, which may result in the company no longer being part of JSS' sustainable investment universe. Such a downgrade would eventually result in the sale of the company holding.

#### **5. References to international standards**

The Group is a founding signatory of the Principles for Responsible Banking and the Principles of Responsible Investing, and is a member of Swiss Sustainable Finance, the Swiss Climate Foundation and the Global Footprint Network. Furthermore, the Group adheres to a number of international norms, including the OECD Guidelines and transparently reports on its progress in the annual Sustainability Report aligned with the Task Force on Climate-Related Financial Disclosures ("TCFD").

The following PAI indicators are used to measure adherence of investee companies to the respective standards:

- Violations of UN GC Principles
- Exposure to controversial weapons

The Group is committed to contributing to the achievement of society's goals as expressed in the Sustainable Development Goals (SDGs) and the Paris Agreement. This commitment is underpinned by the JSS Climate Pledge, which aims for a carbon-neutral outcome in assets under management by 2035. The Climate Pledge is increasingly applied to sustainable investment strategies and tracked by the backward-looking decarbonisation pathways to mitigate transition risks. The methodology defines the target setting as a 30% reduction of the

<sup>6</sup><https://www.jsafrasarasin.com/en/expertise/sustainable-investments.html>

<sup>7</sup><https://www.jsafrasarasin.com/en/expertise/sustainable-investments.html>

<sup>8</sup><https://www.jsafrasarasin.com/en/expertise/sustainable-investments.html>

benchmark GHG emissions footprint and in each subsequent year, this target is reduced by 7% on average. From 2030 onwards, the target reduces linearly until net zero is achieved in 2035.

The JSS Climate Pledge currently uses a backwards-looking scenario, namely the carbon footprint of the companies divided by their EVIC, to measure the degree of alignment with the Paris Agreement. The methodology for the climate objective is derived from the EU Benchmark Regulation of the EU Action Plan on Financing Sustainable Growth.

The Group conducts climate scenario analysis, using quantitative models to anticipate potential future risks under varying climate conditions. The analysis involves the application of climate scenarios to evaluate how climate-related factors – including both transition and physical risks – could impact the portfolio value. The climate scenario analysis draws on the widely recognised scenarios of the Network for Greening the Financial System (NGFS), which consider a range of global temperature pathways, from 1.5 °C to 3.0 °C, with varying economic implications.