PRINCIPAL ADVERSE IMPACTS STATEMENT

1. SUMMARY

This statement covers all investment activities directly executed by members of J. Stern & Co.

J. Stern & Co considers principal adverse impacts (PAI) of its investment decisions on sustainability factors and this document describes how we integrate these in our investment process.

The Sustainable Finance Disclosure Regulation (SFDR) defines sustainability factors as environmental, social and employee issues, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impact is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1st January to 31st December 2022. The document will be reviewed annually.

2. DESCRIPTION OF PRINCIPLE ADVERSE SUSTAINABILITY IMPACTS

The investment philosophy at J Stern & Co. builds on the tradition of the Stern family and its multi-generational track record of investing for the long term. The family's guiding principle is investing in quality and value, seeking long term real returns across economic and market cycles, basing investment decisions on our own in-house, independent research.

We have always recognised that companies do not exist in a vacuum but are part of a nexus of environmental and social influences that mean that they are subject to a social licence to operate. We believe that it is critical for us to understand and incorporate this broader perspective in our analysis. Investing for the long term and across generations makes this licence to operate particularly important because it is founded in structural influences and regulatory and reputational risks that a more conventional financial analysis would not capture.

We believe that to have a sustainable competitive advantage and deliver sustainable shareholder returns, companies must operate in a sustainable way. Understanding therefore what outcomes companies are delivering for broader society is critical. We look to identify any principle adverse impacts arising from the activity of our investee companies through numerous indicators, which include but are not limited to, metrics related to environmental, social capital and human capital issues, as well as evidence of adherence to universal human rights principles, and international anti-corruption and anti-bribery standards.

Table 1: Description of the principal adverse impacts on sustainability factors for our World Stars Global Equity UCITS Fund (Source of data ISS-ESG)

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse Indicator	Sustainability	Metric	Impact (Year 2022)	Coverage	Impact (Year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
GHG Emissions	GHG Emissions	Scope 1	396.45	100.00%	297.87	General Approach: We are committed to contribute to the goals of the Paris Agreement. We monitor our investee companies' emissions intensity as well as if they have credible, science-based net zero targets. The majority of our investee companies have detailed, credible pathways to achieving net zero. We actively engage with those that do not yet, to encourage them to do so. We are pleased to note that the carbon footprint and GHG intensity of our World Stars strategy is meaningfully lower than relevant market indices. This is a function of the strong ESG practices of our investee companies and of our investment approach, which inherently focuses on IP rich	Proxy Voting: During 2022 we continued to push for enhanced reporting on lobbying activity related to climate change as well as better disclosure on physical risks to operations presented by climate change.
		Scope 2	367.07	100.00%	335.93		
		Scope 3	23,657.39	100.00%	15,541.12		
		Scope 1 + 2 + 3	24,420.91	100.00%	16,174.92		
	Carbon Footprint	Carbon Footprint, 'enterprise value' means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;	173.43	100.00%	114.86		

Adverse Sustainability Indicator		Metric	Impact (Year 2022)	Coverage	Impact (Year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
	GHG Intensity Investee Companies	GHG Intensity Investee Companies. Intensity is calculated by revenue in EUR	742.43	100.00%	563.40	companies rather than those with high capital asset or resource intensity. We currently have no exposure to the fossil fuel sector, though we do not apply an exclusionary policy in that regard. We monitor our investee companies renewable energy consumption, but acknowledge that in many cases the current energy mix is a function of locally available supply. Engagement: We have continued to push our investee companies to set ambitious, science-based net zero emissions targets. We were pleased to see in 2022 a further two of our holdings, Sika and Honeywell, outline their plans and commitment to do so. We continue to advocate for the inclusion of Scope 3 metrics in net zero targets where these are not included.	
	Exposure to Companies in fossil fuel sector	Exposure to Companies in fossil fuel sector. 'companies active in the fossil fuel sector' means (i) companies that derive any revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite; (ii) companies that derive any revenues from the exploration, extraction, distribution (including transportation, storage and trade) or refining of liquid fossil fuels; and (iii) companies that derive any revenues from exploring and extracting fossil gaseous fuels or from their dedicated distribution (including transportation, storage and trade);	0.00%	100.00%	0.00%		
	Share of non-renewable energy	Consumption - 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.	89.97%	41.20%	71.21%		

Adverse Sustainability Indicator		Metric	Impact (Year 2022)	Coverage	Impact (Year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
	Share of non-renewable energy	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.	0.00%	100.00%	0.00%		
	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	NACE C - 0.0993	21.81%	NACE C - 0.0993		
Biodiversity	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	0.00%	100.00%	0.00%	General Approach: We believe fostering biodiversity and preserving natural capital are essential aspects of sustainable business practice. This is especially relevant for our investments across the food & beverage value chain. We await the release of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations later this year to further inform our approach in this area.	Engagement: During 2022 we continued pushing our investee companies for more detailed disclosures around supply chain related risks. These include risks related to deforestation. We have sought to encourage our investee companies to participate in conservation and reforestation initiatives where appropriate.

<table>
<tr><th colspan="2">Adverse Sustainability Indicator</th><th>Metric</th><th>Impact (Year 2022)</th><th>Coverage</th><th>Impact (Year 2021)</th><th>Explanation</th><th>Actions taken, and actions planned and targets set for the next reference period</th></tr>
<tr><td>Water</td><td>Emissions to water</td><td>Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average</td><td>0.09</td><td>13.69%</td><td>0.04</td><td rowspan="2">General Approach: We believe protecting water resources and reducing waste are essential aspects of sustainable business practice. We pay particular attention to any exposure of our investee companies to water stressed areas. We analyse associated resource management practices, and investigate any controversies associated with water and waste issues.</td><td rowspan="2">Engagement: J Stern & Co is a member of the Business Coalition for a Global Plastics Treaty, convened by the Ellen MacArthur Foundation and WWF. We endorse its vision statement which seeks to tackle the plastic pollution crisis in a globally coordinated way. We have committed to engage with our investee companies to advocate for a circular economy and to support the implementation of associated company policies and action plans.</td></tr>
<tr><td>Waste</td><td>Hazardous Waste Ratio</td><td>Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average</td><td>0.32</td><td>17.14%</td><td>0.24</td></tr>
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SOCIAL AND EMPLOYEE MATTERS, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse Sustainability Indicator		Metric	Impact (Year 2022)	Coverage	Impact (Year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and Employee Matters	Violations of UN Global Compact principles and Organization 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	7.70%	100.00%	2.70%	General Approach: We believe are subject to a social license to operate. We monitor our investee companies alignment with global sustainability norms, including the UN Global Compact and OECD Guidelines for Multinational Enterprises, looking at whether they have policies and practices in place that ensure that alignment and whether there are any related historical controversies.	Proxy Voting: Human rights was an area we placed particular focus on in 2022 as part of our voting activity. We voted for resolutions that requested greater disclosure and transparency on a variety of issues, including child exploitation and working conditions.
	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	7.70%	99.99%	11.02%		

Adverse Sustainability Indicator		Metric	Impact (Year 2022)	Coverage	Impact (Year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
	Unadjusted Gender Pay Gap	Average unadjusted gender pay gap of investee companies	1.54%	5.98%	1.54%	General Approach: Diversity, Equity and Inclusion (DE&I) remains a key focus area for our engagement. We believe that equal representation and the ability to leverage talent are key success factors for any business, enhancing governance, employee retention and human capital development.	Proxy Voting: In 2022, we voted in favour of resolutions advocating for enhanced reporting on gender/racial pay gaps as well as requesting that a diversity & equity audit is conducted by one of our investee companies that has faced controversies in this area. Engagement: We continue to advocate for broader board and senior management representation where we believe there is scope for improvement.
	Board Gender Diversity	Average ratio of female to male board members in investee companies	38.84%	62.05%	33.31%		
	Exposure to controversial weapons	Exposure to controversial weapons	0.00%	100.00%	0.00%	General Approach: We have no exposure to companies involved in the production of controversial weapons.	

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Adverse Sustainability Indicator		Metric	Impact (Year 2022)	Coverage	Impact (Year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	GHG intensity	GHG intensity of investee countries	No Information	Not Applicable	No Information	General Approach: Our World Stars strategy does not invest in sovereigns and supranationals.	
Social	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	Not Applicable (0)	Not Applicable	Not Applicable (0)		

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

Adverse Sustainability Indicator		Metric	Impact (Year 2022)	Coverage	Impact (Year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	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	No Information	Not Applicable	No Information	General Approach: Our World Stars strategy does not invest in real estate assets.	
Energy efficiency	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	No Information	Not Applicable	No Information		

ADDITIONAL INDICATORS

Adverse Sustainability Indicator		Metric	Impact (Year 2022)	Coverage	Impact (Year 2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	Investing 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	35.75%	99.99%	54.60%	General Approach: We focus on those PAI factors that have the potential to most influence our investee companies financial performance and where we believe the environmental and social impact is most likely to be evident. The four additional indicators we have chosen are priority engagement topics.	Actions planned: We aim to make our adverse indicator reporting as broad as possible, whilst ensuring that indicators can be reported accurately and meaningfully against.
Social	Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	0.00%	99.99%	2.25%		
Social	Lack of a human rights policy	Share of investments in entities without a human rights policy	24.48%	99.99%	28.36%		
Social	Cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and antibribery	0.00%	100.00%	0.00%		

3. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

Implementation and oversight: Oversight of the ESG approach lies with the Investment Committee as part of its overall responsibility on the firm's investment strategy, whilst the detailed ESG process implementation is overseen by our dedicated ESG Committee. We believe that ESG is an integral part of the overall quality assessment for our investments and that this requires full integration with our traditional fundamental analysis. The ESG analysis for each company is conducted by our dedicated ESG analyst works closely alongside the investment analyst who covers the respective investment. The analysis is implemented at company level at the time of initiation of coverage. It is then formally updated on an annual basis with any material changes highlighted in the intervening period.

Framework of ESG analysis: Critical to the effectiveness and credibility of our ESG framework is the use of a structured approach that is compatible with global best practice and based on industry-leading frameworks. We use the Sustainability Accounting Standards Board's (SASB) materiality framework[1], which identifies industry specific ESG issues most likely to affect corporate value, across five key dimensions, namely Environmental, Social Capital, Human Capital, Business Model & Innovation and Leadership & Governance. In addition, we use our own Corporate Governance dimension that looks at the principal-agent relationship, and how the rights of shareholders and bondholders as stakeholders are protected. The output of this analysis is a traffic light matrix for the six overarching themes, highlighting ESG risks opportunities, and assessing how effectively these are being managed by the boards of the companies in which we invest. In so doing, we focus especially on the impact on our companies revenues, costs, valuation and ongoing social license to operate.

Our analysis further encompasses a qualitative assessment of the degree of alignment with the UN's 17 Sustainable Development Goals, and compliance with other global sustainability norms, like the UN Global Compact, as well as sustainability reporting standards (both regulatory and voluntary).

Our ESG framework fully incorporates the 19 PAI indicators identified above, as well as numerous other relevant indicators. We have dedicated ESG reports for all our investee companies, analysing performance across these parameters and detailing our assessment and conclusions.

Data sources: We draw from a variety of sources to ensure a holistic assessment, including, but not limited to, annual reports, sustainability reports, CDP questionnaires, industry reports, independent third-party ESG data providers (ISS-ESG) and Bloomberg. We have specifically used ISS-ESG as the vendor for the 19 PAI indicators disclosed as part of this report, which we believe underpins the robustness and transparency of the data published.

Margin of error within methodology: We do our own, independent, in-house research to integrate ESG factors into our analysis of risks and opportunities over the short, medium, and long-term, which incorporates both quantitative and qualitative inputs. The aim is always to report transparently and objectively on the effect of ESG issues on a company's financial metrics and valuation. However, we acknowledge there can be challenges in ESG analysis and non-financial reporting, namely in the lack of availability and comparability of data, which are inputs to our analysis.

Our ESG Framework was approved by the Investment Committee of J. Stern & Co. in July 2019 and is updated from time to time. This summary is based on the version as of January 2023.

[1] SASB is now part of the IFRS Foundation

4. ENGAGEMENT POLICIES

Engagement: We believe engagement needs to be purposeful, active, and with a specific and targeted objective to achieve change, on an individual or collective basis, as appropriate. Direct engagement with company management is a core part of the ESG process. Having identified those ESG issues most relevant to a company's success, we raise them where appropriate with the management. As with our engagement on strategic, operational and financial issues, this ongoing dialogue allows us to gain a better understanding of company initiatives whilst providing management with feedback where we think there is scope for improvement. In situations where we do not get satisfactory answers to issues raised, or where progress against PAIs is deemed to be insufficient, we look to escalate. There is an escalation spectrum which progresses from written letters addressed to the appropriate company board or committee members, to public statements raising awareness of particular issues, and ultimately through to divestment (albeit this is rare). In addition, we recognise that collaborative efforts with other investors can help leverage our efforts to engage with companies and achieve change, and we actively participate in numerous such initiatives.

Stewardship & Voting: The principle governing our approach to voting is to act in line with our fiduciary responsibilities in what we deem to be the interests of our clients. We normally look to support company management; however, we withhold support or oppose management if we believe that it is in the best interests of our clients to do so. We vote on both shareholder and management resolutions. We do our own internal work in assessing resolutions, applying our voting principles to each item, rather than subscribing to a third-party proxy voting provider. Where appropriate, we draw from external research to determine industry trends/ best practice, but ultimately the final decision will reflect what we believe to be in the best interests of our clients. We seek to vote on behalf of all client accounts, both segregated and pooled, unless the clients have explicitly requested that we do not vote on their behalf and subject to administrative constraints, contractual obligations, local laws and regulations. We outline our voting policy and strategy to individual clients as part of our annual review with them. We have a track record of our voting participation as shareholders which we make available on our website on an annual basis.

J Stern & Co's stewardship and engagement policies and procedures are reviewed at least annually.

For more information, please refer to J. Stern & Co.'s Stewardship and Engagement Policy.

For a detailed review of the actions taken during the calendar year 2022, please refer to our Engagement activity and Voting activity summaries.

5. REFERENCES TO INTERNATIONAL STANDARDS

Our process is consistent with emerging best practice, including the UNPRI, the UK 2020 Stewardship Code and the EU Shareholders Rights Directive II. We are signatories to the UN PRI, the UK Stewardship Code and a member of the IFRS Sustainability Alliance (formerly known as the SASB Alliance).

Our ESG framework builds on the United Nations Sustainable Development Goals (SDG's) and relevant international conventions and norms, including, but not limited to, the UN Global Compact; the OECD Guidelines for Multinational Enterprises; the OECD Principles on Corporate Governance; and the Paris Agreement under the United Nations Framework Convention on Climate Change. We undertake a detailed assessment of policies and practices that evidence alignment with these international standards. In the case of the Paris Agreement, this includes a commitment to net zero targets that are validated by the Science-Based Targets Initiative, the most widely recognised global body in the field.

We do not currently use a quantitative forward-looking climate scenario model, though we do make qualitative assessments about potential adverse impacts.

6. ADDITIONAL INFO

More information of J. Stern & Co.'s responsible investment framework can be found on http://www.jsternco.com/.