

DEEP RESEARCH FUND - REGULATORY DISCLOSURE

Principal Adverse Sustainability Impacts Statement

Summary

Deep Research Fund SICAV considers principal adverse impacts (PAI) of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. Principal adverse impacts should be understood as those impacts of investment decisions that result in most significant negative effects on sustainability factors. Principal adverse sustainability impacts are identified and prioritized using both quantitative and qualitative measures.

This disclosure is applicable to the Deep Research Fund SICAV. It applies as of 25.12.2022 and covers the first reference period of 1 January 2022 to 31 December 2022, and it will be reviewed at least annually. In this statement we provide more information on our overall approach to identifying, prioritizing, and addressing principal adverse impacts of our investment decisions on various sustainability factors. The statement consists of the following four sections:

A. Description of principal adverse sustainability impacts

B. Description of policies to identify and prioritize principal adverse sustainability impacts

C. Engagement policies

D. References to international standards

A. Description of principal adverse sustainability impacts

Nearly all types of economic activity have the potential to impact various sustainability indicators, both positively and adversely. Principle adverse impact indicators are a way of measuring how investments negatively impact sustainability factors.

We use a combination of methods to mitigate principal adverse impacts. The key methods are exclusions, assessment, voting, and engagement. Which methods, or a combination thereof, we apply depends on the nature of the impact as well as on its context. For example, in the quantitative stage of our research called Screening, we simply exclude industries and sectors that we view as causing significant adverse impacts.

For more details, please consult our [Exclusion Insight](#)

In the Pre-check and In-depth stages of research, we assess if our potential investment could have material adverse impact on its natural and societal environments. Engagement is used during the investment due diligence to raise important topics with the company as well as once invested in order to highlight any potential material impacts identified. Voting is applied after our investment in order to express our opinions on concrete matters.

For more details, please consult our [Sustainability Integration Insight](#) and our [Voting Insight](#)

As part of the Sustainable Finance Disclosure Regulation (SFDR), the European Supervisory Authorities have identified a potential list of principal adverse impact indicators that Financial Market Participants will need to report on annually. We will provide this reporting in June 2023. Currently considerable data gaps exist on the market and it is our hope that issuers will start providing reliable data by the reporting deadline. For now, please find below the list of PAI as identified by the European Supervisory Authorities and the method(s) that we use to assess the particular PAI.

Summary of Principal Adverse Indicators prioritized by Deep Research Fund

Climate and other environment-related indicators

ESA Table	PAI Indicator	Method
1	GHG Emissions	Assessment, Engagement, Voting
1	Carbon Footprint	Assessment, Engagement, Voting
1	GHG intensity of investee companies	Assessment, Engagement, Voting
1	Exposure to companies active in the fossil fuel sector	Exclusion
1	Share of non-renewable energy consumption and production	Engagement, Voting
1	Energy consumption per high impact climate sector	Engagement, Voting
1	Activities negatively affecting biodiversity	Engagement, Voting
1	Emissions to water	Assessment, Engagement, Voting
1	Hazardous waste ratio	Assessment, Engagement, Voting
2	Investments in companies without water management policies	Assessment, Engagement, Voting

Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery

1	Violations of UN Global Compact Principles and OECD Guidelines for Multinational Enterprises	Assessment, Engagement, Voting
1	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Assessment, Engagement, Voting
1	Unadjusted gender pay gap	Assessment, Engagement, Voting
1	Board gender diversity	Assessment, Engagement, Voting
1	Exposure to controversial weapons (anti-personnel mines, cluster munition, chemical weapons, and biological weapons)	Exclusion
3	Lack of human rights policy	Assessment, Engagement, Voting

B. Description of policies to identify and prioritize principal adverse sustainability impacts

Deep Research Fund has developed and implemented policies to identify, prioritize, and address principal adverse impacts. Brief summaries of these policies are provided in this section.

Exclusion policy

As a minimum standard, Deep Research Fund identifies and mitigates principal adverse impacts through the implementation of our Exclusion Policy. The exclusion policy covers norms-based, product-based, and activity-based exclusions with a high occurrence of adverse impact, such as controversial weapons. It also outlines how to deal with companies that breach the UN Guiding Principles and OECD Guidelines for Multinational Enterprises. These breaches may differ in severity and may be irremediable in character. If the latter is the case, companies will be directly excluded from the investment universe.

For more details, please consult our [Exclusion policy](#)

Integration policy

Through either fundamental analysis or quantitative research, additional principal adverse impacts can be identified. Sector-specific materiality frameworks and company data are combined into an evaluation of a company's sustainability performance on many aspects, including principle adverse impacts.

For more details, please consult our [Integration policy](#)

Voting policy

We view ourselves as the owners of the companies in which we hold stocks. This compels us to exercise our voting rights actively. In principle, we vote for our values: diversity, skill, and long-term strategy. When a shareholder presents a proposal that aligns with our values, we support it. This may compel us to sometimes vote against the company's recommendations. In those cases, we highlight our vote and our thinking to the company directly through engagement.

For more details, please consult our [Voting policy](#)

In general, engagement is an important tool for us to explain our thinking about adverse impacts to our portfolio holdings.

C. Engagement policies

Thorough engagement with (potential) investment is key part of our research approach. If any principle adverse impacts are identified during the due diligence stage, we would highlight it to the company and only proceed with the research if sufficient remedy of PAI is planned by the company and the timeline is within the near future. If PAI are identified after we are already invested, we initiate a dialogue with the company and highlight the need for remedy. If we do not see an improvement within the discussed time horizon, the matter is discussed at the Investment Committee which will likely recommend divestment.

Our voting policy is also part of our engagement strategy. We seek to vote at all Annual General Meetings as per our voting policy. Our "Engagement Insight" is coming in 2023.

D. References to international standards

Our application of PAI builds on the United Nations Sustainable Development Goals (SDG's) and relevant international conventions and norms, including, but not limited to:

- United Nations Global Compact
- OECD Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights

- UN Guiding Principles on Business and Human Rights
- Children's Rights and Business Principles
- ILO conventions on labour standards
- UN Convention on Corruption
- Convention on Cluster Munitions
- Paris Agreement under the United Nations Framework Convention on Climate Change

In relation to the alignment with the Paris Agreement, our application of PAI includes a requirement for investee companies that are active in the most climate-critical sectors to demonstrate a credible transition strategy that is compatible with the Paris Agreement's climate objectives. This includes assessments of their decarbonization pathways as well as their positive contributions to climate mitigation. As the methodologies for assessing this progressively reach greater maturity for a greater number of sectors, the number of companies subject to this requirement will grow.

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