Bellevue
Excellence in Specialty Investments

Bellevue Sustainable Healthcare (Lux)

EU SFDR Disclosure (2019/2088) Sustainability preferences (MiFID II)

May 2023

The following information summarizes the regulatory requirements of the EU Disclosure Regulation 2019/2088 (EU SFDR) and the sustainability preferences (MiFID II) with respect to individual funds and groups of funds summarized thereafter.

Bellevue Sustainable Healthcare (Lux)

I Definition of ESG characteristics (EU SFDR)

a) Summary

The investment strategy takes into account social, environmental as well as governance-related characteristics (ESG) as part of the implementation of its investment objectives, in accordance with the provisions of Article 8 of the EU Disclosure Regulation 2019/2088 (EU SFDR).

b) No sustainable investment objective

The investment strategy takes into account social, environmental or governance-related characteristics, but does not pursue a sustainable investment objective. The fund invests to some extent in sustainable investments. While the adverse impacts on sustainability goals mentioned in Annex I of the RTS are not explicitly taken into account until the RTS is ratified, harmful ESG practices are evaluated by means of involvement in controversial business areas, ESG ratings, and by taking into account the standards of the UN Global Compact, the UN Guiding Principles for Business and Human Rights, and Conventions 1 and 2 of the International Labour Organization (ILO).

c) Environmental or social characteristics of the fund

The fund takes into account social as well as environmental characteristics. These essentially comprise the following elements:

1) Exclusion of serious violations of global norms
2) Exclusion of serious controversies
3) Value-based exclusions based on revenue thresholds
4) ESG integration into fundamental company analysis
5) ESG best-in-class approach
6) ESG stewardship through constructive corporate dialogue (engagement) and the exercise of voting rights (proxy voting)

d) Investment strategy

The investment objective of the fund is to achieve long-term capital growth by investing in equities and other equity securities. In doing so, the sustainability characteristics described under c) are taken into account as follows:

Serious violations of global standards in the areas of the environment, human rights and ethical business practices are excluded. This is measured by compliance with the principles of the UN Global Compact Compliance, UN Guiding Principles for Business and Human Rights, and standards of the International Labor Organization.

Severe controversies (categories 4 and 5) as determined by Sustainalytics are excluded. A controversy is defined as an incident or an ongoing situation where a company's business activities and/or products are claimed to have a negative impact on the environment, on society, and/or on the company's corporate governance. Controversies are rated by Sustainalytics on a scale from 1 to 5 depending on the severity of their consequences, with 5 representing the most severe consequences and 1 the least severe consequences.

In contrast to exclusions based on violations of global standards, **value-based exclusions** are based on social, ethical and moral views. Percentages of sales per business segment are defined which a company must not exceed in controversial business areas such as conventional weapons, thermal coal or tobacco production. Issuers whose annual sales exceed the defined tolerance limits are excluded.

In addition, Bellevue Asset Management AG (hereinafter "BAM") follows an **"ESG integration approach"** in its investment process with the sub-aspects environment ("E" for Environment), social ("S" for Social) and good governance ("G" for Governance).

Further information on the application of its sustainability approach can be found here: https://www.bellevue.ch/ch-en/private/esg/sustainability

Bellevue Asset Management AG (hereinafter "BAM") also applies a **best-in-class approach** in the Bellevue Sustainable Healthcare (Lux) Fund's investment process.

e) Proportion of investments

In principle, BAM aims to invest all of the fund's assets in investments with sustainable characteristics, but it has set a **minimum allocation of 75% of total invested fund assets** in investments with sustainable characteristics as there is not yet sufficient amount of ESG data available in every asset class and some companies do not yet have an ESG rating. A maximum of 25% of the fund's invested assets can be allocated to investments that do not meet all of the ESG integration criteria.

The use of own target funds that comply with BAM's sustainability policy is permitted. The selection of sustainable target funds from third parties also takes into account sustainability aspects. For each target fund, BAM reviews the sustainability approach of the respective provider and its implementation in the respective target fund. The following criteria are assessed:

- Does the asset manager apply exclusion criteria?
- Does the asset manager have one of the following sustainable investment approaches: ESG integration, best-in-class, sustainable thematic investments (themes) or impact investing?
- Does the target fund have a minimum MSCI ESG Fund rating of BB?
- Does the provider have a voting policy that incorporates ESG criteria?

A target fund must meet at least half of the required criteria to be rated as an investment with sustainable characteristics by BAM. If a target fund does not meet the aforementioned criteria, it must be classified under the residual quota.

For a derivative with one underlying instrument, the underlying instrument as well as the issuer must meet the asset manager's criteria for an investment with sustainable characteristics as described above. Otherwise, it is allocated to the portion of the assets that is classified under the residual quota.

For a derivative with several underlying instruments (e.g. index, basket), the underlying instruments of the derivative on average as well as the issuer must meet the asset manager's criteria for an investment with sustainable characteristics as described above. Otherwise, it is allocated to the portion of the assets that is classified under the residual quota.

The Bellevue Sustainable Healthcare (Lux) Fund was awarded the Austrian Ecolabel (UZ 49). The related requirements must be adhered to at all times. Further information can be found at: https://www.umweltzeichen.at/de/produkte/finanzprodukte

f) Monitoring of environmental or social characteristics

The ESG characteristics mentioned are recorded and documented at least on a quarterly basis. Compliance with the specifications with regards to the global standards as well as the value-based exclusions is checked by BAM Risk Management. Exposure regarding value-based controversial business areas, potential/assumed ESG laggards (MSCI ESG rating CCC or B), as well as current engagement and voting activities are discussed with the portfolio management teams during internal reviews. A quarterly summary of key ESG characteristics of the individual funds is provided to the Executive Board of Bellevue Asset Management AG as well as to the Board of Directors of Bellevue Group.

g) Methodology

Global norms
Compliance with the given ESG characteristics is checked using various methodologies. Compliance with global standards, including compliance with the exclusion of controversial weapons, is measured against the standards and principles of the UN Global Compact, the UN Guiding Principles for Business and Human Rights, and Conventions 1 and 2 of the International Labor Organization (ILO). Based on assessments by leading ESG research providers (currently MSCI ESG and Sustainalytics), BAM maintains an exclusion list which is updated quarterly and approved by the Chief Compliance Officer.

Norms-based exclusions

Business areas that are controversial in terms of ethical and moral values are excluded if their sales exceed the tolerance limits for annual sales defined below:

Business area	Threshold
Controversial weapons	0%
Conventional weapons	5%
Uranium mining	5%
Nuclear power	5%
Thermal coal	5%
Fracking/oil sands	5%
Production of tobacco	5%
Sale of tobacco	20%
Adult entertainment	5%
Gambling	5%
Palm oil	5%
Embryonic stem cell research	5%
Animal testing (for non-medical purposes)	10%
Prenatal diagnostics	5%
Green genetic engineering	5%
Pesticides	5%

ESG Best-in-Class
The worst 40% based on Sustainalytics' ESG risk rating are excluded from the investment universe. The relevant universe is divided into two groups: Developed markets (Western Europe, North America, Japan/Oceania) and emerging markets. Applying the exact same rules to both regions would lead to systematic discrimination of emerging market companies because of their lower levels of transparency and lower governance standards compared to the industrialized world. A second requirement is that the fund's overall weighted average ESG risk rating must be better than that of its investment universe (i.e. the fund's Sustainalytics ESG risk rating must on average be lower than that of its universe; lower ESG risk ratings mean lower ESG risks). This additional requirement is reviewed every six months.

The insights gained during this process can trigger a constructive dialogue (engagement process) regarding identified weaknesses in the area of ESG in the context of direct contacts with the management of companies. If BAM's investment team comes across unjustified underperformance in the sustainability criteria relevant to the issuer, BAM's own assessment is compared to that of the external ESG provider and documented.

The evaluation of good governance practices, such as sound management structures, employee relations, compensation practices and tax compliance, is included in the overall assessment of ESG ratings and compliance with global standards. As an asset manager focusing on bottom-up stock selection, good corporate governance is also an essential part of any company analysis.

In addition, the aggregated Scope 1 + 2 CO_2 intensity[1] of the fund and, if available, of the relevant benchmark is measured and published on a quarterly basis.

h) Data sources and processing

The fund uses various data sources to assess and measure ESG characteristics. Primarily, data from MSCI ESG Research and Sustainalytics is used as a basis for compliance with global norms and value-based controversial business areas. The same applies to the measurement of CO_2 intensities. Sustainalytics' ESG Risk Rating is used to assess the overall ESG rating. Based on insights from our proprietary fundamental analysis, aggregated ESG ratings from external providers are assessed. The determination of an internally revised ESG rating does not take place due to a lack of external traceability. Information on the degree of coverage of external ESG research is published in the fund reporting.

i) Limitations of the methodology and data

The data sources used may be incomplete or may not lead to an appropriate assessment of the ESG characteristics described in all cases as a result of systematic weaknesses in the ESG methodology of third-party providers. For example, in the case of biotechnology companies, MSCI ESG heavily weights the "Access to Healthcare" criterion. Innovative biotech companies that are only at the research stage cannot, by definition, fulfill this criterion or can only do so inadequately and are thus systematically undervalued.

Isolated data gaps and any objective misjudgments resulting from weaknesses in the ESG rating methodologies are filled to the best of our knowledge and belief by our own assessments from fundamental stock analysis or by consulting other data sources and third-party providers (e.g. Bloomberg, Sustainalytics). Issuers without ESG research coverage are automatically allocated to the quota for which an assessment of the social or environmental characteristics cannot be made in full.

j) Due diligence

The due diligence of the portfolio and the processes described are part of Risk Management's area of responsibility. Control mechanisms for compliance with sustainability requirements are implemented in the portfolio management system. Further ESG risk reviews are part of the regular review meetings with the portfolio management team. The Compliance Office is responsible for the oversight and review of all compliance-related topics, in particular the issuance, monitoring and updating of sustainability-related directives, both at portfolio level and at corporate level. Relevant ESG issues are periodically discussed by representatives of Risk Management, Product/Sustainability Management and Compliance.

[1] Scope 1 emissions: Direct emissions caused by a company's activities; Scope 2 emissions: The second group includes all emissions caused by the production of energy used by a company.

Furthermore, the Bellevue Sustainable Healthcare (Lux) Fund was awarded the Austrian Ecolabel (UZ 49). Compliance with the related requirements is reviewed within the scope of an annual audit process by independent consultants.

k) Engagement policy

Portfolio managers engage in an active and constructive dialogue with the management or other relevant representatives of the portfolio companies with regard to environmental, social and governance aspects. If there are indications of controversial sustainability aspects in the run-up to the company discussions, these are constructively raised with the company and progress (e.g. strategy, process adjustments, improvement of ESG rating) is documented over time. Furthermore, BAM represents the long-term interests of its investors by actively exercising its voting rights at the general meetings of portfolio companies through proxy voting.

l) Designated reference benchmark

Unless otherwise stated in the fund documents or on the website, a standard benchmark is used for the respective fund to measure relative performance. This standard benchmark is used as a reference value in the monthly factsheets and quarterly ESG reports.

II Definition of sustainability preferences (MiFID II)

With the amendment of the MiFID II Directive as part of the implementation of the EU Action Plan Financing Sustainable Growth, the consultation of clients' sustainability preferences in investment advisory will become mandatory as of August 2, 2022. Financial instruments that may target (potential) clients with sustainability-related objectives according to Art. 9 (9) UA 1 MiFID II-DRL are required to apply one or more of the following three concepts:

a) a financial instrument where the (potential) client determines that a minimum proportion is to be invested in environmentally sustainable investments within the meaning of the **Taxonomy Regulation** (Art. 2 No. 1);
b) a financial instrument for which the (potential) client determines that a minimum proportion shall be invested in **sustainable investments within the meaning of the Disclosure Regulation** 2019/2088 (Art. 2 No. 17);
c) a financial instrument where the main **adverse impacts on sustainability factors ("PAI")** are taken into account, whereby the qualitative or quantitative elements demonstrating this consideration are determined by the (potential) client.

Sustainable investments within the meaning of the Disclosure Regulation (SFDR)

In its implementation, BAM applies the **concept b)** of **sustainable investments as defined in the Disclosure Regulation (SFDR)**, which entails the following requirements:

- ESG strategy with share of sustainable investments as defined by the SFDR, using specific percentages
- No severe violations of the UN Global Compact and democracy/human rights
- Product provider (BAM) takes into account recognized industry standard (UN PRI)

Art. 2 No. 17 of the Disclosure Regulation 2088/2019 defines a "Sustainable Investment" as an investment in an **economic activity that contributes to the achievement of an environmental and/or a social objective while not significantly harming any of these objectives**. Furthermore, the invested companies must apply practices of good corporate governance **("Good Governance")**.

For an investment to qualify as a “Sustainable Investment”, BAM applies the **17 UN Sustainable Development Goals (SDGs)**. These sustainable development goals are general, universal goals for all UN member states, which were adopted in September 2015 as the successor to the Millennium Goals. All people in the world should be able to live in a fairer, more prosperous and more peaceful society by 2030. ESG research provider MSCI ESG measures the target contribution of companies to each of the SDGs and categorizes them as "Strongly Aligned", “Aligned”, “Neutral”, “Misaligned” and “Strongly Misaligned”. As soon as there is a **positive impact on at least one of the 17 SDGs ("Aligned" or "Strongly Aligned"), and one or more other SDGs are not negatively impacted at the same time ("Misaligned" or "Strongly Misaligned")**, BAM assumes a positive alignment with a sustainable objective, i.e. these companies are added to the quota of "Sustainable Investments".

Investments are assigned to the “**Sustainable Investment**”-quota if, on the one hand, they exhibit a positive target contribution as described above and, on the other hand, they meet the sustainable investment characteristics described under I (including UN Global Compact compliance) which also ensures that good governance practices are applied.

BAM has been a signatory of the UN Principles for Responsible Investment (UN PRI) since August 20, 2019, and thus meets the required and globally recognized industry sustainability standard.

The **minimum proportion of "Sustainable investments"** for the Bellevue Sustainable Healthcare (Lux) Fund is **50%**.

Further information on MSCI ESG's SDG Alignment Methodology can be found on the following website: www.msci.com

Principle Adverse Impact Indicators ("PAI")

Furthermore, **concept c)**, and thus the most important adverse sustainability impacts ("PAIs"), is applied. The consideration of adverse sustainability impacts is largely dependent on the availability of relevant information. Relevant data is not always available in sufficient quantity and quality for all assets in which Bellevue Asset Management invests. Consequently, the list of PAI indicators considered is continuously expanded depending on data availability and data quality.

In a first step, the PAI data is made available to the sustainability specialists from the product management team. Based on internal sustainability guidelines, experience values and differentiated views of sustainability developments and trends, they assess any outliers and then define the further procedure in connection with the PAI indicator concerned together with the responsible investment teams. Possible measures include regular monitoring, the exercise of voting rights on a designated agenda item at a general meeting, the initiation of an ESG engagement with the company, or the reduction or exit of the position. Prioritization is based, among other things, on the size of the position and relative comparative data with direct peer companies in the same industry.

The following table shows which mandatory and optional PAI indicators are currently taken into account. The applicable definitions of the individual indicators are listed in Annex 1 to the EU SFDR RTS Level 2 regulation.

Mandatory indicators				
PAI Nr.	**Adverse Sustainability Indicator**	**Consideration within BAM ESG framework**		**Specific ESG or proxy criteria**
		Exclusion list	**MSCI ESG Rating**	
1	GHG emissions		X	
2	Carbon footprint		X	
3	GHG intensity of investee companies			X
4	Exposure to companies active in fossil fuel sector*	X		
5	Share of non-renewable energy consumption and production	n.a. 1)		
6	Energy consumption intensity per high impact climate sector	n.a. 1)		
7	Activities negatively affecting biodiversity-sensitive areas	n.a. 1)		
8	Emissions to water			X
9	Hazardous waste and radioactive waste ratio			X
10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	X		
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	n.a. 1)		
12	Unadjusted gender pay gap	n.a. 1)		
13	Board gender diversity	n.a. 1)		
14	Exposure to controversial weapons	X		
Additional climate and other environment-related indicators				
4	Investments in companies without carbon emission reduction initiatives			X
Additional indicators for social and employee matters				
1	Investments in companies without workplace accident prevention policies			X

1) The PAIs indicated cannot be evaluated at present due to insufficient data quality or availability. The data situation is reassessed periodically.

PAI indicators No. 1 and No. 2 are taken into account as part of an issuer's overall ESG rating. Depending on the industry affiliation, the weighting or relevance of the individual indicator may vary. Companies with exposure to PAI indicators No. 4 (5% annual sales threshold), No. 10 (zero tolerance) and No. 14 (zero tolerance) are part of our quarterly updated exclusion list and are excluded from the investment universe. For the assessment of PAI indicators No. 3, No. 8 and No. 9 as well as for the additional PAI indicators in the area of environment (No. 4) and social affairs (No. 1), specific criteria provided for this purpose are applied. MSCI ESG research is used as a data source.