

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

*FMP Entity Name: Cantor Fitzgerald Ireland Limited (Ltd.), Legal Entity Identifier (LEI): 635400N5XVNTLTWTUK34.*

### **Summary**

Cantor Fitzgerald Ireland Ltd. (hereafter “CFIL”) considers principal adverse impacts (PAIs) of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Cantor Fitzgerald Ireland Ltd. The principal adverse impacts recorded in this statement refer to our investment discretionary and advisory services. It excludes our execution-only mandates, where our clients make their own investment decisions without our input and are therefore beyond the scope of the SFDR. This reduces the scope of our PAI reporting to 41% of our total Book (hereafter “the Cantor Book”).

Investment in derivatives was not included in this report as these do not result in a physical investment and have therefore no associated PAIs. As required by Article 7.2 of the SFDR RTS, we have used a best effort approach to data disclosure. This includes accounting for all assets in our discretionary and advisory mandates, whether directly managed by CFIL, or managed externally by third parties. Therefore, in this report, “current value of all investments” includes direct and indirect investments funding investee companies or sovereigns through funds, fund of funds, bonds, equity instruments, loans, deposits, and cash. This broad selection of assets also means there are challenges when it comes to reducing PAIs in investments on which we have a limited ability to influence.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

We consider principal adverse impacts according to clients' sustainability preferences, and this limits our ability to reduce PAIs at the overall Cantor Book level. This is an area we continue to develop. We consider all mandatory principal adverse impact indicators and two voluntary indicators. We use a number of strategies to limit our PAI exposure, such as negative and positive screening, ESG integration and positive impact strategies. The extent of our use of such activities will depend on clients' sustainability preferences.

**Description of the principal adverse impacts on sustainability factors**

Principal adverse impacts refer to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. The actions we take to address these impacts are described in the below table.

*Table 1*

<b>Indicators applicable to investments in investee companies</b>					
<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact [year n]</b>	<b>Impact [year n-1]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>

**CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS**

Greenhouse Gas Emissions		Scope 1 GHG emissions (tCO <sub>2</sub> e)	93,978.22	N/A	N/A	<p><b>Entity Approach</b></p> <p>Cantor supports the Taskforce for Climate Related Financial Disclosure (TCFD) guidelines and will produce its first report in the latter part of 2023. Target specific to our decarbonisation trajectory will be an output of our TCFD report.</p> <p>A significant proportion of our investment mandates prioritise climate change and we intend to continue to grow our presence in this</p>
		Scope 2 GHG emissions (tCO <sub>2</sub> e)	15,802.88	N/A	N/A	
		Scope 3 GHG emissions (tCO <sub>2</sub> e)	622,816.94	N/A	N/A	
		Total GHG emissions (tCO <sub>2</sub> e)	732,647.65	N/A	N/A	
	2. Carbon footprint	Carbon footprint (tCO <sub>2</sub> e/€m)	554.60	N/A	N/A	
	3. GHG intensity of investee companies	GHG intensity of investee companies (tCO <sub>2</sub> e/€m)	1,014.93	N/A	N/A	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (% involved)	7.36%	N/A	N/A	

Greenhouse Gas Emissions	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 (% of portfolio)	68.62%	N/A	N/A	<p>area. Exclusions but also ESG integration are among the investment strategies used to limit exposure to climate-related PAIs.</p> <p><b>Engagement Policy</b> Engagement with companies is considered on a case-by-case basis and taking into account the materiality of our exposure and feasibility of engagement. In such cases, we arrange to meet the management of these companies on a regular basis, where possible. PAI indicators are considered as part of this engagement and may form the basis for the engagement.</p> <p><b>Target</b> Our targets for the next reference period include engagement with</p>
	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	(GWh/€m)	N/A	N/A	
		NACE Code A (Agriculture, Forestry and Fishing)	2.95			
		NACE Code B (Mining and Quarrying)	2.89			
		NACE Code C (Manufacturing)	1.07			
		NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)	15.30			

		NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)	0.73			companies and third-party providers of PAI data to improve data availability, as this is a significant area for improvement in the market.
		NACE Code F (Construction)	0.09			
		NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	0.09			
		NACE Code H (Transportation and Storage)	7.20			
		NACE Code L (Real Estate Activities)	0.62			
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 (% involved)	0.01%	N/A	N/A	CFIL did not take action during this reporting period to address this PAI. Data availability on this subject is extremely low. We intend to work with our provider of ESG data who is developing new biodiversity metrics to help increase the understanding of biodiversity data.

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average (t/€m)	260.39	N/A	N/A	CFIL did not take action during this reporting period to address this PAI. Data availability on this subject is extremely low. We continue to monitor and research data availability and quality related to emissions to water.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average (t/€m)	3.81	N/A	N/A	CFIL did not take action during this reporting period to address this PAI. Data availability on this subject is extremely low. We continue to monitor and research data availability and quality related to hazardous waste and radioactive waste ratio.

**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

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 (% involved)	1.84%	N/A	N/A	An exclusion process is applied to a large proportion of the assets in the Cantor Book to reduce this PAI. We will consider opportunities for engagement based on the terms of our engagement policy.
	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 (% of companies showing no evidence)	51.88%	N/A	N/A	We will work with third party providers to continuously enhance data coverage and calculation capabilities to enable monitoring of this indicator more effectively. We will consider opportunities for engagement based on the terms of our engagement policy.

<p>12. Unadjusted gender pay gap</p>	<p>Average unadjusted gender pay gap of investee companies</p>	<p>13.34%</p>	<p>N/A</p>	<p>N/A</p>	<p>There are currently no actions planned or targets set in relation to this PAI. Data availability on this subject is low and we continue to monitor and research data availability and quality related to unadjusted gender pay gap.</p>
<p>13. Board gender diversity</p>	<p>Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (% female directors)</p>	<p>35.66%</p>	<p>N/A</p>	<p>N/A</p>	<p>There are currently no targets set in relation to this PAI. However, we expect all boards to meet local requirements for diversity. We will consider opportunities for engagement based on the terms of our engagement policy.</p>
<p>14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</p>	<p>Share of investments in investee companies involved in the manufacture or selling of controversial weapons (% involved)</p>	<p>0.09%</p>	<p>N/A</p>	<p>N/A</p>	<p>Exclusion of controversial weapons applies to a large proportion of our clients' portfolios according to their sustainability preferences. There are currently no targets set at entity level in relation to this PAI.</p>

Table 2



**Indicators applicable to investments in sovereigns and supranationals**

<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact [year n]</b>	<b>Impact [year n-1]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries (tCO <sub>2</sub> e/€m GDP)	249.49	N/A	N/A	Cantor supports the Taskforce for Climate Related Financial Disclosure (TCFD) guidelines and will produce its first report in the latter part of 2023. Target specific to our decarbonisation trajectory will be an output of our TCFD report.
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: 8 issuers Relative: 7.1%	N/A	N/A	We adhere to investment restrictions applicable to sanctions imposed by the UN, EU or US. In addition, we intend to develop a better understanding of our exposure to this PAI (both through direct and indirect investment) taking into consideration clients' sustainability preferences.

<p style="text-align: center;"><i>Table 3</i></p> <p style="text-align: center;"><b>Indicators applicable to investments in real estate assets</b></p>						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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
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
<p style="text-align: center;"><i>Table 4</i></p> <p style="text-align: center;"><b>Other indicators for principal adverse impacts on sustainability factors</b></p>						
<p style="text-align: center;">Additional Climate and Other Environment-related Indicator</p>						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period

Emissions	4. 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 (% of portfolio)	36.98%	N/A	N/A	Cantor supports the Taskforce for Climate Related Financial Disclosure (TCFD) guidelines and will produce its first report in the latter part of 2023. Target specific to our decarbonisation trajectory will be an output of our TCFD report.
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Human Rights	14. 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 (% of portfolio)	0.00%	N/A	N/A	We will consider opportunities for engagement with companies captured in this indicator for the next reference period.

**Description of policies to identify and prioritise principal adverse impacts on sustainability factors:**

Our Responsible Investment, Sustainability Due Diligence and Engagement Policies are approved by the Board and can be found on this [link](#). We have implemented processes and procedures to consider sustainability risks and principal adverse impacts of investment decisions on sustainability factors in line with Article 4 of the Sustainable Finance Disclosure Regulation (SFDR). Our Sustainability Due Diligence Policy describes our three-line of defence approach to support the integration and consideration of sustainability risks and impacts in investment activities. Our investment teams, Sustainability and Responsible Investment team, and



our investment and product approval committees are responsible for the integration of processes to identify and manage principal adverse impacts where relevant data is available and according to clients' sustainability preferences.

We use a number of investment styles to help us identify and reduce PAIs while aligning with clients' preferences for sustainability. These include negative and positive screening, ESG integration and positive impact strategies. We understand our clients have varied sustainability preferences, and these are reflected in the selection of assets included in our first PAI report.

We consider PAI at firm level by measuring and monitoring the aggregated negative impact on sustainability indicators. When prioritising which adverse impacts and issuers to focus on, a number of factors are considered, such as the level of exposure, which is typically based on the size of the holding. An assessment of ESG financial materiality is also taken into consideration, as well as the likelihood of success for engagement. Clients' sustainability preferences are also taken into account, as this can impact our ability to reduce exposure to a particular PAI.

PAI data availability and quality remains a significant issue, with some indicators having considerably lower data availability than others. This is a factor we include in our assessment, as we continue to work on improving data availability as part of our targets for the next reference period.

In cases where portfolio management has been outsourced, the portfolio managers have been given guidelines for how to limit PAIs in their mandates and have discretion to include optional sustainability indicators.

For article 8 and 9 products managed by CFIL, the corresponding PAI indicators and processes and procedures for their consideration is disclosed in pre-contractual disclosure and annual reports. PAI disclosure relevant to the Green Effects Fund is available in the Fund's annual report for the financial year ending on 30 November 2022.

#### *Selection of Additional Principal Adverse Impacts on Sustainability Factors*

In addition to the 18 mandatory PAIs listed in the above table, two additional indicators were selected. We looked at both data availability and quality as determining factors in the selection. For the additional indicator that relates to the environment and climate, we selected a PAI to focus on our investments in companies without carbon emission reduction initiatives. This indicator will review investee companies without carbon emissions reduction initiatives aimed at aligning with the Paris Agreement. This PAI will assist our TCFD disclosure and is also relevant to a large proportion of our clients who are concerned about how their investments impact climate change.

For the additional indicator that relates to social and employee, respect for human rights, anti-corruption and anti-bribery, we chose an indicator to help us assess the number of companies with identified cases of severe human rights issues and incidents. We will closely monitor this indicator and the number of human rights issues and incidents connected to investee companies on a weighted average basis.

#### *Data Sources Used*

We use third party ESG data providers and our own research to understand how sustainability considerations can impact a company's financial performance, but also how its activities can impact society and the environment. Sources of information include MSCI ESG

Research, Bloomberg, companies' annual reports, media reports, NGO publications and interactions with the company (when circumstances allow) to obtain PAI data on a best effort basis.

For our first PAI report, we used publicly available data from MSCI ESG Research covering equity and fixed income issuers, as well as PAI data at fund level. Where possible, in cases where there was no reported PAI data, PAI data available was reweighted at the Portfolio level to close data gaps using a best effort approach (Article 7.2 SFDR RTS). From a private market perspective, it was not possible at this stage to aggregate PAI data from private companies, and this is a key area for improvement for the next reporting period. Likewise, for investments in real estate assets, we are working with third party providers to collect and aggregate PAI data in future PAI reporting.

Our ability to identify and assess PAIs depends on the quality and availability of data. We are engaging with third party providers and investee companies to ensure we continue to understand and improve the PAI data gap that was identified in our first reporting period.

### **Engagement policies**

Our engagement policy describes CFIL's approach to stewardship and shareholder engagement in compliance with the Shareholder Rights Directive II (SRD II). The policy is applicable to CFIL's discretionary managed portfolio services to both retail and institutional investors in relation to investments held on their behalf and how we may seek to engage with these investee companies. Our funds have separate policies detailing engagement and proxy voting activities.

Due to the diverse nature of our client mandates, we do not use a proxy voting advisor and/or exercise proxy voting rights on clients' behalf. Instead, clients are encouraged to attend AGMs and exercise their voting rights. Clients can contact our corporate actions team for advice on a specific voting deadline and / or meeting date. We facilitate this service through a third-party provider, which offers a digital platform that enables us to register a client's interest to attend a meeting and / or vote via proxy.

Engagement with companies is considered on a case-by-case basis and taking into account the materiality of our exposure and feasibility of engagement. In such cases, we arrange to meet the management of these companies on a regular basis, where possible. PAI indicators are considered as part of this engagement and may form the basis for the engagement. For our first PAI report, we engaged with over 50% of companies in our data gap to obtain PAI data, some of which are in private markets where sustainability disclosure remains in its infancy.

If portfolio management is outsourced, the appointed investment manager may take action to address sustainability issues as part of their corporate engagement activities. Information on the investment manager's voting and engagement activities is requested on an annual basis as a part of our due diligence.

Following each reporting period, we will conduct a review of our PAI data gap and whether companies engaged with during the year produced PAI data. PAI data will then be assessed and in cases where there is insufficient progress, the terms of our engagement policy will apply and engagement to understand the company's own management of PAI will ensue.

### **References to international standards**

CFIL adopted the TCFD recommendations as our preferred standard for managing and reporting climate-related risks and opportunities. In addition to disclosure requirements, the TCFD guidelines cover aspects of governance, strategy, risk management and metrics and targets related to climate risks. Transparency regarding climate-related risks and opportunities is crucial as it enables better communication of these topics with stakeholders while allowing investors a better understanding of the implications of climate change. CFIL's first climate report aligning with the TCFD recommendations will be released in the second half of 2023.

We use the guidance of the Sustainable Development Goals (SDGs) in how we approach and report on our positive impact strategies. The SDGs are also a pillar of our CSR Programme in Cantor and are included in the training that all new employees receive at the start of their employment. Cantor Fitzgerald Ireland adheres to national corporate governance principles and codes of best practice.

### **Historical comparison**

Due in June 2024