

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

*FMP Entity Name: Cantor Fitzgerald Asset Management Europe, Legal Entity Identifier (LEI): 213800AY68HZGWFLSB45.*

### **Summary**

Cantor Fitzgerald Asset Management Europe (hereafter “CFAM”) 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 Asset Management.

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

We consider all mandatory principal adverse impact indicators and two voluntary indicators. We use a combination of activities to mitigate PAIs, including negative screening, ESG integration, engagement and voting activities. For Article 8 funds, restrictions may vary according to the fund’s investment objective. For funds and mandates that do not promote environmental and social characteristics, our ability to reduce PAIs is limited. Our voting and engagement activities apply across all our investment activities.

### **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 below.

Please note that due to a reporting error the 2022 PAI Statement has been reissued and as a result, PAI 1 (absolute GHG emissions) have been corrected 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>	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
<b>Greenhouse Gas Emissions</b>		Scope 1 GHG emissions (tCO2e)	16,440.15	N/A	N/A	<b>Entity Approach</b>  As part of the Cantor Fitzgerald Ireland Group, we support the Taskforce for Climate Related Financial Disclosure (TCFD) guidelines and will produce our first report in the latter part of 2023. Target specific to our decarbonisation trajectory will be an output of our TCFD report.
		Scope 2 GHG emissions (tCO2e)	5,882.35	N/A	N/A	
		Scope 3 GHG emissions (tCO2e)	275,461.79	N/A	N/A	
		Total GHG emissions (tCO2e)	297,784.30	N/A	N/A	
	2. Carbon footprint	Carbon footprint (tCO2e/€m)	371.46	N/A	N/A	
	3. GHG intensity of investee companies	GHG intensity of investee companies (tCO2e/€m)	1,001.41	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)	7.17%	N/A	N/A	<p style="text-align: center;"><b>ESG Integration and Exclusions</b></p> <p>A significant proportion of our funds have been classified as Article 8 under the SFDR. Exclusions and ESG integration are among the investment strategies used to limit exposure to climate-related PAIs.</p> <p style="text-align: center;"><b>Engagement Policy</b></p> <p>Engagement with companies is considered on a case-by-case basis and taking into account the materiality of our exposure and feasibility of engagement. PAI indicators are considered as part of this engagement and may form the basis for the engagement.</p>
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)	64.86%	N/A	N/A	
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)	N/A			
	NACE Code B (Mining and Quarrying)	1.25			
	NACE Code C (Manufacturing)	0.79			

		NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)	5.56			
		NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)	N/A			
		NACE Code F (Construction)	0.03			
		NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)	0.18			
		NACE Code H (Transportation and Storage)	3.80			
		NACE Code L (Real Estate Activities)	0.71			
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)	0.00%	N/A	N/A	CFAM 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)	78.73	N/A	N/A	CFAM 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)	2.87	N/A	N/A	CFAM 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**

<p>Social and employee matters</p>	<p>10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (% involved)</p>	<p>1.34%</p>	<p>N/A</p>	<p>N/A</p>	<p>All of our Article 8 funds are subject to norm-based screening, which identifies companies involved in violations of the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the International Labour Organisation (ILO) principles. Companies identified in this screening process are subject to further assessment with potential actions including engagement/divestment.</p>
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	<p>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>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)</p>	<p>57.76%</p>	<p>N/A</p>	<p>N/A</p>	<p>All of our Article 8 funds are subject to norm-based screening, which identifies companies involved in violations of the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the International Labour Organisation (ILO) principles. We will work with third party providers to continuously enhance data coverage and calculation capabilities to enable monitoring of this indicator more effectively.</p>
	<p>12. Unadjusted gender pay gap</p>	<p>Average unadjusted gender pay gap of investee companies</p>	<p>8.93%</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>

	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (% female directors)	34.12%	N/A	N/A	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.
	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 (% involved)	0.19%	N/A	N/A	There are currently no targets set at entity level in relation to this PAI.

*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>
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Environmental	15. GHG intensity	GHG intensity of investee countries (tCO <sub>2</sub> e/€m GDP)	225.44	N/A	N/A	As part of the Cantor Fitzgerald Ireland Group, we support 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	0	N/A	N/A	We adhere to investment restrictions applicable to sanctions imposed by the UN, EU or US.

**Table 3**

**Indicators applicable to investments in real estate assets**

<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>
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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

**Table 4**

**Other indicators for principal adverse impacts on sustainability factors**

Additional Climate and Other Environment-related Indicator

<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>
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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)	50.58%	N/A	N/A	As part of the Cantor Fitzgerald Ireland Group, we support 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	All of our Article 8 funds are subject to norm-based screening, which identifies companies involved in violations of the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the International Labour Organisation (ILO) principles. Companies identified in this screening process are subject to further assessment with potential actions including engagement/divestment.

### **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 team is responsible for the integration of processes to identify and manage principal adverse impacts where relevant data is available.

We use a number of investment styles to help us identify and reduce PAIs. These include negative screening, ESG integration and engagement and proxy voting activities. For Article 8 funds, we have developed norms-based investment criteria to restrict investment on those companies deemed to be violating global norms and that have insufficient remediation. Depending on the fund's objective, additional restrictions may apply.

We use Institutional Shareholder Services (ISS) ESG's Norm-Based Engagement solution which allows us to participate in joint outreach and dialogue with companies on material sustainability-related themes. Investee companies that are in breach of our norms-based responsible investing criteria in the areas of governance, human rights, the environment, labour rights, and bribery and corruption will enter our engagement programme. Engagement will include reaching out to the company, reviewing the response received, and making a decision of neutrality/divestment based on the adequacy of actions taken by the company to combat the breach in our norms-based responsible investing criteria. Some companies may be quick to respond while others will follow an escalation process. In the latter case, every effort is made to engage with the investor relations team, followed by the executive team and lastly the Board. This process will last up to a year when the feasibility of the engagement is re-evaluated.

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.

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 and decision-making process.

#### *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.

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, ISS, 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. 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). For real estate assets, it was not possible at this stage to aggregate PAI data, and this is a key area for improvement for the next reporting period.

Our ability to identify and assess PAIs depends on the quality and availability of data. We are engaging with third party providers 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 CFAM's approach to stewardship and shareholder engagement in compliance with the Shareholder Rights Directive II (SRD II).

We endeavour to vote on all eligible stock at every meeting. We currently use Institutional Shareholder Services Ltd ISS "Sustainability" voting guidelines in our proxy voting activities, which uses ESG risk indicators to identify ESG risk factors in public companies. These ESG risk indicators cover topics including the environment, human rights and impacts of business activities on local communities, labour rights and supply chain risks, consumer product safety, bribery and corruption, and governance & risk oversight failures.

As described above, our engagement efforts are based on in-depth research performed by ISS under Norm-Based Research, which identifies corporate controversies resulting in adverse impacts on society or the environment and assesses how companies mitigate and remediate such adverse impacts. The scope covers adverse impacts on society and the environment in line with established expectations for Responsible Business Conduct.

### **References to international standards**

CFAM through its parent company Cantor Fitzgerald Ireland 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.

Through our proxy voting activities, we use specific voting guidelines developed to meet the standards of the United Nations Principles for Responsible Investment (UNPRI). Our engagement efforts align with the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the International Labour Organisation (ILO) principles. Cantor Fitzgerald Asset Management adheres to national corporate governance principles and codes of best practice.

### **Historical comparison**

Due in June 2024