



**FMP Entity Name:** Deep Research Fund SICAV  
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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 30.06.2024 and covers the reference period of 1 January 2023 to 31 December 2023, including a comparison with the prior year. This document is reviewed at least once a year. 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 once invested 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 identified a list of principal adverse impact indicators that Financial Market Participants need to report on annually. We first published this reporting in June 2023. At the time of this second edition, we can note some improvement in data availability but considerable gaps continue to exist. For now, please find below the list of PAI as identified by the European Supervisory Authorities and the relevant values for the portfolio holdings of the Deep Research Fund SICAV.

## Summary of Principal Adverse Indicators prioritized by Deep Research Fund (Date 30 June 2024)

### Climate and other environment-related indicators

ESA Table	PAI Indicator	Impact (year 2023)	Impact (year 2022)	Explanation	Actions taken	Method
1	GHG Emissions	1'381 MT Co2 Eq Scope 1 GHG Emissions	1'315 MT Co2 Eq Scope 1 GHG Emissions	Total GHG is weighted by our share of ownership of the companies. Since we are usually a small shareholder, we are responsible for a small amount of investment's total emissions.	monthly monitoring	Assessment, Engagement, Voting
		5'242 MT Co2 Eq Scope 2 GHG Emissions	5'511 MT Co2 Eq Scope 2 GHG Emissions		monthly monitoring	Assessment, Engagement, Voting
		6'623 MT Co2 Eq Total GHG Emissions	6'816 MT Co2 Eq Total GHG Emissions		monthly monitoring	Assessment, Engagement, Voting
1	Carbon Footprint	22.2MT Co2 Eq / m EUR invested capital	21.7 MT Co2 Eq / m EUR invested capital	Our carbon footprint tends to be lower than the average of the global economy because many of our investments are into asset light companies that do not produce a lot of carbon.	monthly monitoring	Assessment, Engagement, Voting
1	GHG intensity of investee companies	36.4 MT Co2 Eq / m EUR revenue	41.6 MT Co2 Eq / m EUR revenue	Operations of many of our companies are not carbon intensive.	monthly monitoring	Assessment, Engagement, Voting
1	Exposure to companies active in the fossile fuel sector	0% of investment in companies active in fossile fuel sector.	0% of investment in companies active in fossile fuel sector.	We do not invest in companies active in fossile fuel sector.	Validation of exclusion at every step of research	Exclusion
1	Share of non-renewable energy consumption and production	40% of energy consumed by portfolio companies was non-renewable.	49% of energy consumed by portfolio companies was non-renewable.	15 out of 22 companies reported their share of nonrenewable energy consumption in 2023. On average, 40% of the energy consumed by the reporting companies was nonrenewable. Last year, we had 16 out of 21 companies report on this metric, with an average of 49% nonrenewable energy consumed. None of our portfolio companies is engaged in energy production for sale.	Continuous monitoring	Engagement, Voting
1	Energy consumption per high impact climate sector	- Average energy consumption in manufacturing is 72.4 MWh/m EUR revenue. - Average energy consumption in retail is 47.7 MWh/m EUR revenue	- Average energy consumption in manufacturing is 69.4 MWh/m EUR revenue. - Average energy consumption in retail is 46.2 MWh/m EUR revenue	Our portfolio companies are engaged in the following high impact climate sectors: manufacturing & retail.	Continuous monitoring	Engagement, Voting
1	Activities negatively affecting biodiversity	NA	NA	Our portfolio companies do not disclose this data.	Continuous monitoring of our portfolio has not revealed business activities in biosensitive areas. We will encourage more disclosure from our portfolio companies.	Engagement, Voting
1	Emissions to water	NA	NA	Our portfolio companies do not disclose this data.	Continuous monitoring of our portfolio has not revealed issues in this subject area. We will encourage more disclosure from our portfolio companies.	Assessment, Engagement, Voting

ESA Table	PAI Indicator	Impact (year 2023)	Impact (year 2022)	Explanation	Actions taken	Method
1	Hazardous waste ratio	0.01 MT / m EUR invested is the weighted average of hazardous & radioactive waste generated by portfolio companies.	0.03 MT / m EUR invested is the weighted average of hazardous & radioactive waste generated by portfolio companies.	In 2023, 13 out of 22 portfolio companies reported while only 11 out of 21 reported in the year prior. Our portfolio is a mixture of manufacturing companies where hazardous waste can be expected and asset light companies with no hazardous waste.	We will encourage more disclosure from our portfolio companies where this issue is material.	Assessment, Engagement, Voting
2	Investments in companies without water management policies	41% of portfolio companies do not have water management policies.	29% of portfolio companies do not have a water management policy.	9 out of 22 portfolio companies do not have a water policy (last year the corresponding count was 6 out of 21). Out of the 9, 3 companies are active in manufacturing and water policy would be desirable. Others are asset light and we deem the presence of water policy not material for the company's sustainability performance.	This is an important topic for us. We monitor it continuously and it is a likely theme of engagement in the future.	Assessment, Engagement, Voting

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

ESA Table	PAI Indicator	Impact (year 2023)	Impact (year 2022)	Explanation	Actions taken	Method
1	Violations of UN Global Compact Principles and OECD Guidelines for Multinational Enterprises.	One company in our portfolio was involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	No company in our portfolio was involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	One of our portfolio companies received a fine for employee health and safety in 2022 and reported on it in 2023.	Continuous monitoring	Assessment, Engagement, Voting
1	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.	0% of investee companies do not have 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.	0% of investee companies do not have 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.	This data point is sourced externally from Bloomberg. According to their analysts, our portfolio companies are on average 61% compliant with UNGC. No company in our portfolio would have no processes or compliance mechanisms. In this case we completely rely on external data because it is not possible to assess this for our team internally.	Continuous monitoring	Assessment, Engagement, Voting
1	Unadjusted gender pay gap	17% is the average unadjusted gender pay gap of investee companies.	8% is the average unadjusted gender pay gap of investee companies.	Half of the portfolio companies reported gender pay gap (last year only 8 out of 21 portfolio companies report). The average pay gap between men and women in those 11 companies is 17% (in favor of men). This difference is driven primarily by two companies and exposure to the UK where this reporting is mandatory. This metric is 'unadjusted' for the level of work.	Continuous monitoring and data gathering	Assessment, Engagement, Voting
1	Board gender diversity	36% is the average ratio of female to male board members in investee companies.	35% is the average percentage of women on Board of Directors in investee companies.	Our portfolio companies have on average 36% share of women on the Board of Directors. While this remains still far from parity, it is also above global average. The reason for that is that we skew our research towards companies with higher diversity.	Continuous monitoring and voting	Assessment, Engagement, Voting
1	Exposure to controversial weapons (anti-personnel mines, cluster munition, chemical weapons, and biological weapons).	0% of investee companies involved in the manufacture or selling of controversial weapons.	0% of investee companies involved in the manufacture or selling of controversial weapons.	We do not invest in companies with exposure to controversial weapons.	Biannual screening	Exclusion
3	Lack of human rights policy	0% of investee companies are without a human rights policy.	0% of investee companies are without a human rights policy.	All our portfolio companies have a human rights policy.	Biannual screening	Assessment, Engagement, Voting

Units used: Eq= equivalent, M = metric, m = millions, T = tonnes

## 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.

## 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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