

# MB Funds' Principal Adverse Sustainability Impacts Statement

## Summary

MB Funds ("MB") considers principal adverse impacts of its investment decisions on sustainability factors. As a part of MB Funds' approach to sustainability and responsible investment we strive to avoid and reduce the negative effects of our investment decisions on sustainability factors, which are also called as the principal adverse sustainability impacts. These principal adverse impacts can refer to different sustainability factors such as climate and other environment-related matters, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters. This statement describes MB's due diligence policies with respect to principal adverse impacts of investment decisions on sustainability factors taking due account of MB's size, the nature and scale of its activities and the type of financial products it makes available, according to the requirements set out in Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR) Article 4 (1) (a).

MB recognizes that the principal adverse sustainability impacts and their materiality may vary between investee companies depending for example on industry, sector, nature of the business and size of the company. In addition, the degree, and the methodologies the principal adverse sustainability impacts are considered in the investment decisions and portfolio management process depends on several aspects, such as the availability of reliable and comprehensive data, identified sustainability risks, and assessment of material sustainability factors. In this statement we provide further information on our overall approach and policies to identifying and prioritising principal adverse impacts of our investment decisions on defined sustainability factors.

The statement is compiled according to the best understanding of the effective requirements set in SFDR. Updated version of the statement will be provided as the draft Regulatory Technical Standards (RTS) come into force by the approval of the European Commission. For the time being, MB's responsible investment process does not include collecting and monitoring of all the mandatory adverse sustainability indicators in the RTS and thus there are identified gaps in the data availability concerning some of the indicators. However, MB aims at complying with the requirements of RTS and is currently working on to establish the necessary mechanisms to be able to monitor the required principal adverse sustainability indicators.

More information related to MB's approach to sustainability and responsible investment can be found in MB's website: [Sustainability at MB](#)

## **Description of principal adverse sustainability impacts**

MB acknowledges that its investment operations may have impact on various sustainability factors. Sustainability risks are integrated in MB's investment decision-making that also encompasses the consideration of principal adverse impacts on sustainability factors. The principal adverse sustainability impacts are identified and prioritised according to materiality to the individual investee company and the portfolio as a whole.

The principal adverse sustainability impacts of MB's investment decisions may vary depending on various factors such as the size, location, industry, and nature of business of the investee company. Considering MB's portfolio as a whole, the following principal adverse impacts on sustainability factors, among others, are considered in its investment process:

- **GHG emissions**
- **Board gender diversity**
- **Social and employee-related matters**
- **Good corporate governance**

MB uses a combination of actions in different phases of the investment cycle to strive at avoiding and reducing the principal adverse impacts identified. The next section "Information about the policies to identify and prioritise principal adverse sustainability impacts" describes also in general the typical actions by MB to reduce and avoid the adverse impacts. Further description of the actions taken during the reference period will be provided together with the reporting of principal adverse sustainability indicators.

## **Information about the policies to identify and prioritise principal adverse sustainability impacts**

MB has established a solid approach to sustainability and responsible investment to manage Environmental, Social and Governance (ESG) matters during the whole investment cycle. As a part of these policies, MB applies a combination of complementary methodologies to identify and prioritise principal adverse sustainability impacts of its investment decisions. In the sourcing and screening of potential investment cases, an exclusion list and an enhanced evaluation, if deemed necessary, are applied to aim at avoiding or decreasing certain principal adverse sustainability impacts.

As a part of ESG due diligence, a review to identify principal adverse sustainability impacts as well as an evaluation of probability of occurrence and severity of those impacts is conducted for each investment case. ESG due diligence includes the evaluation of both sustainability risk and opportunities. Different ESG matters, including principal adverse sustainability impacts are prioritised based on materiality to the target company's business and MB's portfolio as a whole. Identification of positive sustainability impacts enables MB to identify and prioritise investments that have lower level of adverse sustainability impacts. In case a material ESG issue is identified

in the due diligence, an action plan to bring the issue to a satisfactory level under MB's ownership is prepared. Further, if any severe ESG failure or negative aspect is emerged in the ESG due diligence, and this cannot be corrected during MB's future ownership, the continuation of the investment process will be carefully assessed and terminated if necessary. The key findings of the ESG due diligence with the results of the impact assessment of the identified sustainability risks are considered in the investment decision-making process by the Investment Committee.

The key results from the ESG due diligence are integrated in the portfolio company's value creation plan. MB's portfolio companies are engaged on sustainability matters through board work to ensure that the management of the portfolio companies are committed to drive development in material and current relevant sustainability matters and initiatives.

MB monitors the portfolio companies' progress in their sustainability initiatives and the performance of certain principal adverse sustainability indicators to be able to regularly track the development of probability of occurrence and severity of adverse sustainability impacts. Relevant ESG data is collected from the portfolio companies on an annual basis as well as on ad-hoc basis when necessary, and the data encompasses both quantitative and qualitative information. At the moment the measurement and evaluation of principle adverse impacts includes, to some extent, lack of completeness concerning the data and subjective judgement. MB is currently working to improve the accuracy of measurement and to establish the necessary mechanisms to be able to monitor the required adverse sustainability indicators.

The MB investment team members with the support of the sustainability and communications manager are responsible for the implementation of these policies and consideration of principal adverse sustainability impacts during the entire investment cycle.

## **References to international standards**

MB's approach to responsible investment is based on the United Nations Principles for Responsible Investment (UN PRI).