

SUSTAINABILITY-RELATED DISCLOSURES

Disclosures for financial products that promote environmental or social characteristics under Article 8 SFDR

(a) Summary

A financial product promotes environmental or social characteristics by investing in issuers and companies that have the best ESG practices using a “best-in-class” approach. Each investment goes through a multi-layered and proprietary ESG evaluation process and generally needs to achieve a minimum scoring threshold. Reference benchmarks are not used for assessing environmental or social performance.

(b) No sustainable investment objective

A financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. Through active management, the investment manager contributes to the objective of climate change mitigation as defined under the Taxonomy Regulation. With respect to corporate issuers, the investment manager implements a scoring system which takes into account environmental and social indicators as well as a screening system for minimum safeguards to ensure that their business activities are consistent with OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. The “do no significant harm” principle applies only to those investments that take into account the EU Taxonomy criteria for environmentally sustainable economic activities. The investment manager does not consider principal adverse impacts of its investment decisions on sustainability factors as the size, the nature and the scale of the activities of a financial product are not deemed likely to create material adverse impacts on sustainability factors, and the risk-profile of a financial product is mainly determined by risk factors other than sustainability-related risk factors.

(c) Environmental or social characteristics of the financial product

The investment manager aims at generating positive risk adjusted risk returns with responsibility through fundamental analysis, operational excellence and by integrating environmental, social and governance (ESG) issues into the investment processes. Some of the indicators used to measure the sustainability characteristics of a financial product include (but are not limited to) environmental factors such as GHG emissions, energy management, waste production, ecological/human health risks, carbon dependency, and climate change risks; social factors such as respect of human rights, data security and privacy, labour market conditions and practices, employee health and safety, diversity and inclusion, subjective well-being indicators, and poverty; governance factors such as corruption, regulatory and legal protections, transparency, competition and other rule of law metrics. For corporate issuers, the investment manager’s scoring system includes (but is not limited to) indicators such as energy intensity, carbon intensity CO2 emissions, renewable energy use, water use, water resources, biodiversity, habitat protection, natural disasters and climate change, gender diversity, employee turnover ratio, health and safety incidents, implementation of grievance mechanisms etc.

The financial product promotes overall environmental and social sustainability by investing in companies and issuers that have the best ESG practices using a “best-in-class” approach. A reference benchmark has not been designated for attaining the environmental or social characteristics being promoted.

(d) Investment strategy

The financial product focuses on providing investors with capital growth using a “best-in-class” approach to identify those issuers and/or companies with the best practice and standards in terms of ESG characteristics.

The binding element of the investment strategy is the multi-layered ESG evaluation process and minimum scoring threshold utilised for each investment. The first layer excludes certain investments such as those with high long-term sustainability risks. The second layer utilises a quantitative screening and scoring model that takes into account the E and S indicators. Only those corporates that meet the minimum scoring threshold will be considered for investment, unless it is expected that the score will improve in the near future. For sovereigns, opportunities in the worst performing countries will not be included for investment. The final layer carries out an in-depth analysis after screening using an events calendar and high frequency socioeconomic data. These layers ensure that investments are selected to attain overall environmental and social sustainability. Please refer to our Responsible Investment Policy for further details on our investment approach.

(e) Proportion of investments

Less than 5% of the underlying investments selected for the financial product will be aligned with the Taxonomy Regulation. Also, less than 5% of all investments of the financial product will be investments in enabling and transitional activities as defined by the Taxonomy Regulation. This is due to the investment manager's focus on sovereign issuers rather than due to a divergence from the Taxonomy Regulation.

(f) Monitoring of environmental or social characteristics

Good governance practices of investee companies are assessed through a proprietary ESG scorecard. Indicators include independent and diversified boards, adherence to good corporate governance codes, lawsuits, fines or incidents of non-compliance, and risk management systems. For sovereigns, indicators include corruption, regulatory and legal protections, transparency, competition and other rule of law metrics.

The occurrence of a post-investment controversy or material ESG risk will not trigger an immediate divestment. Instead, value is placed on constructive dialogue and engaging with companies to understand the reason for the event and what is being done to rectify it. Only if it is considered that the company does not plan to rectify the event and there is a high likelihood of the event reoccurring will a holding be divested. For sovereigns, critical indicators for E, S and G are captured using different indices where there is a bias to G and S factors.

(g) Methodologies for environmental or social characteristics

Integration entails evaluating all potential investments on a range of quantitative and qualitative criteria through a proprietary ESG scorecard. The ESG scorecard measures each company's performance across 40 indicators covering a range of quantitative and qualitative criteria across the ESG spectrum. The purpose of the ESG scorecard is not to feed into another layer of exclusion per se but rather to identify material risks that could lead to future areas of engagement. Scorecards are updated annually unless a material event occurs in the interim in which case the matter is immediately flagged to ascertain the next steps. All portfolio companies are required to complete an annual management questionnaire along with a ESG KPI supplement.

(h) Data sources and processing

A proprietary ESG scorecards for each asset class is used to evaluate companies across a number of quantitative and qualitative criterion. Scorecard information is derived from public filings, databases and management questionnaires (in the case of corporate/equities) which are circulated on an annual basis, and information gleaned from our engagement activities.

Portfolio companies should meet a minimum scoring threshold, however there is discretion to invest in a company that fails to meet this threshold should there be sufficient indications that the score would improve above the threshold in the near future.

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Investments are also monitored for controversies via the external provider along with publicly available information. Scorecards are updated on annual basis for existing investments, unless a material event occurs in the interim.

To ensure data quality, portfolio companies are requested to complete a proprietary annual management questionnaire.

(i) Limitations to methodologies and data;

Although various sources are used to ensure that environmental and social characteristics are applied, there are limitations to the methodologies and data sources.

The data is based on public sources and information bias exists. For example, larger companies are subject to more transparency requirements than smaller companies. In addition, relevant information may not always be publicly available. Some, but not necessarily all, limitations in performing sustainability and ESG analysis are as follows:

- the availability of data, particularly for emerging companies and markets;
- the consistency and / or comparability of data as not all companies publish the same indicators;
- the quality of data and the lack of universal standards related to third party verification, if any;
- the use of external providers can introduce bias resulting from the providers' proprietary methodologies.

(j) Due diligence

ESG is an integral part of the investment due diligence process which entails developing a holistic view of an investment that goes beyond a mere quantitative analysis. As such, all members of the investment team are responsible for evaluating the ESG credentials of existing and prospective investments and monitoring portfolio investments for material changes. The Head of Research is responsible for overseeing responsible investment and for the development and implementation of the ESG processes and procedures. He is supported by a dedicated Sustainability Lead and ESG Committee. The ESG Committee is comprised of senior members of the investment team, the Compliance Officer, and the firm's Sustainability Lead. The ESG Committee convenes on a bi-annual basis and aims to assess the investment team's ESG efforts and identify areas which will further improve the firm's ESG capabilities, and to report to and make recommendations to management and the Board of Directors of the firm on an annual basis.

(k) Engagement policies

Engagement is a critical element of the investment with divestment being an action of last resort.

Engagement is most commonly undertaken in the following ways:

- *Ongoing dialogue* with the company management through regular meetings, annual questionnaires, visits, and Q&A telephone calls on operational, strategic, and other management issues and, where appropriate, the investment manager will offer its own opinions and comments;
- *Proxy voting* whereby votes are cast in the best interest of investors with the aim of maximizing shareholder value as a long-term investor.

Please refer to the Responsible Investment Policy for further details on proxy voting.

(l) Designated reference benchmark

N/A