Summary of Sustainability Risks Policy

1 April 2021

This disclosure sets out a summary on policies in relation to the integration of sustainability risks in investment decision-making and investment advisory processes.

Introduction

The EU Sustainable Finance Disclosure Regulation (“SFDR”) requires policies in respect of the integration of sustainability risks in the investment decision-making process and investment advisory process.

Under SFDR, “sustainability risk” means an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment (e.g. the financial condition or operating performance of a company or an issuer).

Adopted policies apply to all actively managed strategies and non-pure passive strategies, whether implemented in the framework of collective investment schemes (UCITS, AIFs) or separately managed accounts with the purpose (at a minimum and where reasonably possible / practicable) of identifying and acting to manage and mitigate sustainability risks. In relation to financial advice, the principles of relevant policies apply, unless specified otherwise by the client agreement or offering documents.

Sustainability risk policies contain the operational and disclosure requirements related to sustainability risk management. The sustainability risk management framework consists of three parts:

- ESG Integration (where applicable)
- Product Level Sustainability Risk Management, and
- Ongoing Monitoring and Escalation

These are outlined below:

ESG Integration

As a first step, investment teams are accredited, through an internal governance process, as “ESG integrated”, as further described in relevant offering documents.

Once accredited as “ESG integrated,” investment teams incorporate ESG factors systematically into investment decision making and this includes sustainability risk considerations into their investment decision-making process.

ESG Integration is not applicable for a limited number of sub-funds / mandates managed by delegates of the Firm.

Product Level Sustainability Risk Management

Under the Policy, it is the responsibility of each relevant investment team to seek to identify material sustainability risk relevant to each strategy covered, taking into account risks by industries, sectors and regions, including the anticipated time horizon of the investment and the risk.

While the portfolio managers and analysts are provided with information on sustainability risks, and are expected to take sustainability risks into account when making an investment decision, sustainability risk would not by itself prohibit an investment. Instead, sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of overall risk.

Assessment of sustainability risk requires subjective judgements, and may include consideration of third party data that is incomplete or inaccurate. There can be no guarantee that the portfolio managers / analysts will correctly assess the impact of sustainability risk on investments.

For those financial products that track the composition of a specific index (specifically pure passive funds tracking a non-sustainable reference benchmark) sustainability risks are not considered due to the passive nature of the strategy.

Active ownership can be a means to address identified sustainability risks. Active ownership is the process of exercising voting rights attached to securities and / or communicating with issuers on ESG issues, with a view to monitor or influence ESG outcomes within the issuer.

Ongoing monitoring and escalation

Oversight and escalation processes are implemented to monitor continued incorporation of sustainability risk considerations by portfolio managers and analysts in accordance with the Policy.