Sustainability Risks Policy

This document sets out the policies of **Setanta Asset Management Limited** (the "**Firm**"), on the integration of sustainability in our investment decision-making process.

1. Introduction

The EU Sustainable Finance Disclosure Regulation ("SFDR") requires the Firm to formalise how sustainability is integrated into our business and processes, and to make new public and client-facing disclosures on sustainability matters.

The Firm believes that it is incumbent on us as an investment manager to consider and monitor how companies we invest in operate with regard to all stakeholders as well as the environment. We recognise that companies that are aware of their effect on the environment are more likely to make a greater contribution to society. We believe that companies can play an important role in the wellbeing of society overall, as do governments and individuals. We also recognise that sustainability factors (environmental, social and governance ("ESG")) can have an impact on the performance of investment portfolios.

This document sets out the Firm's policies in respect of the integration of sustainability risks in our investment decision-making process, as required by Article 3 SFDR. The policy applies to the Firm, and applies in respect of all portfolio management services and UCITS management carried on by the Firm.

For reference, the Firm maintains other policies and documentation related to sustainability, including:

- Responsible Investment Policy
- Engagement Policy
- Principal Adverse Impacts (PAI) Investment Due Diligence Policy
- Conflicts of Interest Policy
- Voting Policy

In addition, the Firm is governed by the Irish Life Group Remuneration Policy which includes sustainability disclosures as required by Article 5 SFDR.

This policy applies as from 10 March 2021.

2. Purpose of this policy

Under SFDR, "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

This policy therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of our clients' investments.

The Firm recognises that the world faces growing environmental, social, and governance-related risks. A key part of our role as a fiduciary investment manager is to act in the best interests of our clients, and this includes appropriately taking account of how those ESG risks could impact on our clients' investments.

For the purposes of SFDR, sustainability risk is not concerned with the risk of harm that our investment decisions may do externally to sustainability factors. In other words, this policy covers *"value"* rather than *"values".* The external harm of investments is covered by a separate regime under SFDR, which considers the principal adverse impacts of a firm's investment decisions on sustainability factors. The Firm is compliant with the principal adverse impacts rules under Article 4 SFDR, and has separately implemented a due diligence policy on this matter.

In addition, SFDR is not specifically concerned with the risks that sustainability events may cause to the Firm's own balance sheet or prudential position. Such risks will be separately covered by the Firm's ICAAP process.

3. Governance and senior management responsibility

The Firm's Executive Management Team is ultimately responsible for the firm's policies and procedures in respect of sustainability risks.

In particular, the Firm's Responsible Investment Committee has overall responsibility for sustainability risk matters.

The Firm's Board of Directors has approved this policy.

4. Sustainability risk management

The Firm's approach to sustainability risk management is based on (amongst other things) the time horizon for our investments. Our investment approach generally focuses on companies with sustainable, long-term competitive advantages. We believe that over the long-term, good quality durable businesses, bought at an attractive price will generate superior returns. We research all companies in detail, and we monitor them actively and in-depth; our investment rationale is built around long-term ownership.

Our approach to sustainability risk management also recognises that equity and fixed income assets may potentially be more exposed to sustainability risks than other asset classes.

(i) Research and Analysis

We consider material sustainability risks as part of a holistic bottom-up company analysis. We seek to analyse and monitor the risks that may have a material impact on financial performance during our investment horizon. The relative importance of these risks on our investment decisions will depend on their potential significance to a business and its future returns.

Our team of portfolio managers consider sustainability risks as a part of their research and analysis, using our own internal resources to analyse these issues. In order to aid members of our equity investment team in their analysis and monitoring of critical issues, we obtain third party research with respect to sustainability risks.

(ii) Management

While the Firm's Portfolio Managers are provided with information on sustainability risks, and are encouraged to take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent the Firm from making any 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 risk. However, the Firm does not apply any absolute risk limits or risk appetite thresholds which relate exclusively to sustainability risk as a separate category of risk.

The Firm's three lines of defence: Fund Management, Compliance and Investment Risk Management, and Internal Audit all have an active role in management and oversight of sustainability risk.

(ii) Monitoring

As part of ongoing monitoring, the Firm's portfolio managers, where appropriate, engage in Active Ownership, to maximise the medium to long-term value for our clients. Active Ownership is the process of exercising voting rights attached to securities and/or entering into dialogue with companies on sustainability and other issues, with a view to monitoring or influencing these outcomes within the company.

In determining how to exercise voting rights attached to securities, we rely on our own internal analysis and assessment and do not outsource the responsibility to proxy advisors. We endeavour to vote on all security voting decisions, with the objective of voting for the securities of companies for which we have proxy-voting authority, in a manner most consistent with the long-term economic interest of fund investors.

5. Relevant sustainability risks

The Firm will endeavour to identify each key ESG risks which could, if it occurs, cause an actual or a potential material negative impact on the value of an investment.

6. Disclosure of this policy

SFDR requires that the Firm must publish on our website information about this policy. The Firm satisfies this requirement by disclosing this policy itself on our website.

SFDR also requires that the Firm must include, in the pre-contractual disclosures for our financial products, a description of the manner in which sustainability risks are integrated into our investment decisions. The Firm satisfies this requirement by either disclosing this policy itself in pre-contractual disclosures or disclosing a separate summary of this policy in pre-contractual disclosures, whichever is deemed most appropriate.

For these purposes, "pre-contractual disclosures" means the prospectus or offering document for a fund, and the investment management agreement or other terms and conditions for a portfolio management service.