

# Pre-Contractual Disclosures For Setanta Active Multi-Asset Fund 4

2022



## Introduction

**Product Name: Setanta Active Multi-Asset 4**

**Legal Entity Identifier: n/a**

### **Status under the EU Sustainable Finance Disclosure Regulation (SFDR)**

There are new rules which require any fund which promotes environmental and/or social characteristics to provide detailed sustainability related disclosures to prospective customers

As this Fund has been categorised as meeting the provisions set out in Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR), this report provides further detail on what the sustainability related goals of the Fund are and how the sustainability related goals of the Fund are met

### **Investment Objective**

The SAMA 4 Fund offers balanced exposure between equities and bonds. This fund seeks to provide a medium level of risk and return.



## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

- |   |  |
|---|--|
| <p><input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b>: __%</p> <p><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b>: __%</p> | <p><input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It promotes <b>Environmental/Social (E/S) Characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments</p> <p><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with a social objective</p> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p> |
|---|--|

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities.

Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



## What environmental and/or social characteristics are promoted by this financial product?

This Fund specifically aims to:

1. Actively manage a diversified portfolio of asset classes including bonds, equities, property and alternatives. The fund seeks to achieve its environmental and social characteristics through restricting investments in companies with exposures to certain activities deemed detrimental to the environment or society within our Global Equity fund.
2. Within Euro corporate bonds and emerging market equities, we replicate proprietary indices capturing exclusion and integration approaches.
3. Within the property exposure, environmental and social characteristics are promoted through the specification of the buildings and their systems, measurement and management of greenhouse gas emissions, energy use, water usage and waste disposal.

### What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The indicators used to measure the outcomes of this approach are:

We measure the attainment of the environmental and social characteristics by monitoring fund exposure to tobacco, weapons, coal, and companies in violation of the UN (United Nations) Global Compact.

We monitor exposure to these areas with the expectation that the product has lower exposure than the benchmark.

### What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

N/A - This Fund does not commit to making sustainable investments or investments aligned with the EU Taxonomy.

While this Fund is designed to consider and contribute to the sustainability of our environment and society within the provisions of Article 8 of the SFDR, it is not specifically designed to make "sustainable investments" as defined under SFDR or to make investments which qualify as "environmentally sustainable" under the EU Taxonomy.

### How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

N/A - This Fund does not commit to making sustainable investments or investments aligned with the EU Taxonomy.

### How have the indicators for adverse impacts on sustainability factors been taken into account?

N/A - The Fund does not commit to making sustainable investments.

### How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

N/A - The Fund does not commit to making sustainable investments.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The EU Taxonomy sets out a “do no significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable financial product that take into account the EU criteria for environmentally sustainable product do not take into account the EU criteria for environmentally sustainable economic Activities. Any other sustainable investments must also not significantly harm any environmental or social objectives.



### Does the financial product consider principal adverse impacts on sustainability factors? Yes No

The Fund aims to reduce negative impacts to the environment and society. These negative impacts are also called adverse impacts, whereby the most significant adverse impacts are referred to as principal adverse impacts (PAI).

Where possible and feasible and in line with the nature of the investments, a number of adverse impacts are structurally and systematically considered as part of this Fund’s investment decision making. This consideration occurs before making investment decisions and thereafter as part of our ongoing monitoring and management of that investment, where an investment is made. We consider the following key PAIs\* in our decision making are:



#### Impact on climate change:

- > Greenhouse gas Intensity Broken down by Scope 1 and 2 emissions



#### Impact on society:

- > Signatory to the UN Global Compact
- > Severe controversies / breaches of the UN Global Compact.

Investment decisions result in more capital allocation to companies with improved PAI indicators as a result of the ESG data integration. Setanta does not consider adverse impacts of its investment decisions on sustainability factors at an entity level. While Setanta assesses financially material ESG issues for all companies, we do not look for companies to achieve sustainability outcomes, in their own right, across all SFDR defined principal adverse impacts. Moreover, the consideration of the full list of principal adverse impacts (PAI) indicators is not consistent with our client mandates in all instances.

However, for this SAMA 4 fund which pursues a reduction of negative externalities caused by the investment underlying the product, Setanta considers the impacts of its investment decisions on sustainability factors by reference to a subset of PAI indicators listed in Table 1 of Annex I. Prior to making any investment decision, our investment professionals are required to conduct investment due diligence on the proposed investment position. This investment due diligence will evaluate a variety of factors including an assessment of how the proposed investment position is assessed against the three sustainability indicators which are specified below. The indicators used are: (i) GHG Intensity Emissions, broken down by Scope 1 and 2 emissions; (ii) Signatory to the UN Global Compact; (iii) Severe controversies / breaches of the UN Global Compact. In some cases, a financial product may contain a fund of funds, the PAI's listed above have been defined by Setanta based on the investment strategy of the financial product. Setanta has published its statement on Principle Adverse Indicator on its website. The policy can be found here: <https://setanta-asset.com/sustainable-finance-disclosure-regulation/>.

\*Global Equity Fund

### Principal adverse impacts

are the most significant negative impacts of investment decisions on sustainability factors relating to environmental social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



### What investment strategy does this financial product follow?

The SAMA 4 Fund offers balanced exposure between equities and bonds. This fund seeks to provide a medium level of risk and return.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The funds are managed in line with the following core principles:

■ **An asset mix that reflects the investment objectives**

The funds' exposures across different asset types have been designed to meet specific risk and return requirements. These exposures may vary over time in line with the manager's views.

■ **Consistent decision making**

The design of each fund reflects a particular investment objective and attitude to risk. The funds are managed in a consistent manner, with investment decision making implemented consistently across the fund range.

■ **Broad diversification**

The funds are broadly diversified across a range of growth assets like equities and alternatives, and defensive assets like bonds and cash. Excess returns are driven by superior stock selection and active asset allocation.

**What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The actions that we take to ensure that the Fund attains the environmental or social characteristics promoted by the Fund differ by asset class. This financial product is an actively managed multi asset portfolio. The E/S characteristics of the Global Equity portfolio are achieved through minimum exclusions.

The Global Equity portfolio is screened against the following criteria to identify any securities not acceptable to hold.

- No armaments > 10%
- No outlawed weapons 0%
- No tobacco production > 5%
- No coal > 30%
- No serious violations of UN Global Compact

Irish Life Investment Managers (ILIM) manage a number of sub funds in the product including the emerging market equity and investment grade corporate bonds, where the following approach is taken:

I). excludes the securities of companies which exhibit poor behaviour (UN Global Compact Violators) and those involved in activities such as the manufacturing of Controversial Weapons and Tobacco

II). integrate security level ESG risk ratings and principal adverse impact (PAI) indicators within our Equity and Corporate Bond investments to ensure a material improvement in these aggregate characteristics compared to broad market benchmarks. These enhancements are achieved by overweighting securities that rank favourably across these metrics and underweighting laggards. While the desire to maintain high levels of diversification within the Fund means that laggards are not eliminated entirely, ILIM engages with companies to encourage them to embrace sustainable practices.

III). adopts an active ownership approach across its equity holdings by using its voting rights and constructively engaging (either directly or collaboratively with other like-minded investors) with the companies in which it invests. It does this to support and encourage the adoption of positive sustainable behaviours within these companies

We manage sustainability risk appropriately across other asset classes into which the Fund invests such as Direct Property. In relation to direct property, we explicitly consider sustainability characteristics in relation to purchasing new properties and with the ongoing management of the properties we own.

**What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

N/A - there is no committed minimum rate to reduce the scope of investments.

### What is the policy to assess good governance practices of the investee companies?

We rank governance risk very highly when evaluating potential investments. We aim to avoid companies that demonstrate weak governance and have a history of governance issues, because we expect them to produce poorer returns.

Our philosophy on corporate governance recognises the uniqueness of every company. Appropriate corporate governance structures will differ by company and will be influenced by factors such as culture, geography, and industry among other things.

Our approach to evaluating governance places significant emphasis on the historic performance of management and the board across several areas such as strategy, capital allocation and executive recruitment & retention. During this analysis, we will consider classic corporate governance factors, such as accountability and alignment, where relevant.

Setanta's fundamental bottom up investing process, with its focus on high quality companies with attractive risk/reward trade-off, typically reduces our exposure to companies with heightened sustainability risks. This in turn reduces the requirement to engage with investee companies. When we do engage directly with the companies we invest in, this engagement will cover sustainability risks where appropriate.

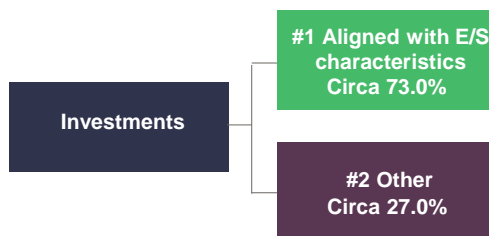
Our proxy voting policy is to vote for the securities of companies for which we have proxy-voting authority in a manner most consistent with the long-term economic interest of fund investors, including considering sustainability risks where relevant. In determining how to exercise voting rights attached to securities, we rely on our own internal analysis and assessment and do not outsource the responsibility to proxy advisors.

ILIM utilise independent third party data providers to make assessments on governance practices in the companies which we invest. ILIM assess good governance practices investee companies through a number of measures which include ESG risk scores, Alignment with the UN Global Compact and Involvement in severe controversies.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



### What is the asset allocation planned for this financial product?



**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

> **turnover** reflects the “greenness” of investee companies today.

> **capital expenditure** (CapEx) shows the green investments made by investee companies relevant for a transition to a green economy.

> **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product (31/12/2022)

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. (31/12/2022)

The Fund invests in a mix of assets such as cash, government bonds and corporate bonds, equities, property, alternative strategies, and externally managed specialist funds. The promotion of environmental or social characteristics were applied across the majority of below assets classes and the majority of the Funds associated with the below listed asset classes are classified as Article 8 under SFDR regulation.

- i). Equity
- ii). Corporate Fixed Income
- iii). Property

### How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

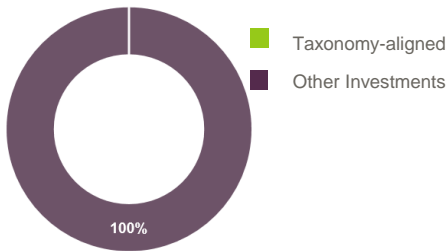
Although derivatives can be used in the investment strategy, derivatives are not used to attain the environmental or social characteristics promoted by the financial product.



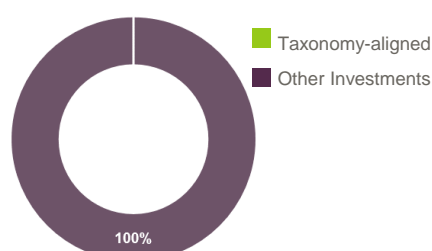
## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Although the Fund promotes environmental and social characteristics (Article 8 under the Sustainable Finance Disclosure Regulation) the Fund does not align with the EU Taxonomy criteria.

### 1. Taxonomy-alignment of investments including sovereign bonds\*



### 2. Taxonomy-alignment of investment excluding sovereign bonds\*



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

**What is the minimum share of investments in transitional and enabling activities?**  
0.0%



## What is the minimum share of investments with an environmental objective that are not aligned with the EU Taxonomy?

N/A - The Fund does not align with the EU Taxonomy



## What is the minimum share of socially sustainable investments?

N/A - The Fund does not intend to make any investments in sustainable investments with social objective.



## What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

This product may invest in assets such as bonds, equities, property and alternative strategies Investments classified as "Other" include:

- Cash
- Developed Sovereign Fixed Income
- REITS, Private Equity and Alternatives

The investments classified as "Other" form part of the multi-asset portfolio strategy and are vital parts of the risk/return framework of the strategy as well as meeting the liquidity needs of the product, i.e. to service inflows (outflows) to (from) the product.

There are no specific environmental or social safeguards applied to this part of products assets However, for cash, we apply our exclusion policy which sets the baseline for investments below which companies are deemed ineligible for the investment due to the company's products, or behaviours causing harm.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.





**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

N/A - The Fund follows a multi-asset strategy and does not have a reference benchmark

**How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

N/A - The Fund follows a multi-asset strategy and does not have a reference benchmark.

**How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

N/A - The Fund follows a multi-asset strategy and does not have a reference benchmark or a designated index.

**How does the designated index differ from a relevant broad market index?**

N/A - The Fund does not have a broad market benchmark.

The Fund is a multi-asset strategy consisting of allocations to a number of investment funds in specified asset classes. These investment funds which are classified as Article 8 have individual benchmarks.

**Where can the methodology used for the calculation of the designated index be found?**

N/A - The Fund follows a multi-asset strategy and does not have a reference benchmark or a designated index.

**Where can I find more product specific information online?**

More product-specific information can be found on the website <https://www.setanta-asset.com/responsible-investing/>

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

This website disclosure document is required under Article 10 of SFDR. This document does not constitute investment advice and has not been prepared based on the financial needs or objectives of any particular person and does not take account of the specific needs or circumstances of any person.

You should seek personal investment advice as to the suitability of any investment decision or strategy to your own needs and circumstances. Past performance may not be a reliable guide to future performance. Investments may go down as well as up. Funds may be affected by changes in currency exchange rates.

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