Sustainability Risks Policy

This document sets out the policies of **Setanta Asset Management Limited** (the "**Firm**"), on the integration of sustainability risks (also known as Environmental, Social and Governance (ESG) risks) 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.

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 21 November 2023.

2. Purpose of this policy

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 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 fiduciary is to act in the best interests of our clients, and this includes appropriately taking account of how those sustainability 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 board and 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.

4. Sustainability risk management

Setanta's investment philosophy is based on the belief 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. We analyse each company individually through the prism of operational, financial and valuation risk.

We seek out businesses that have a low level of risk. Sustainability risks have long been considered in this risk analysis, although not always explicitly characterised as such. We view the consideration of financially material sustainability risks as core to our investment process.

(i) Research and Analysis Integration of Sustainability Risk

Setanta's team of investment professionals consider sustainability risks as a part of their research and analysis – this work is not carried out by a separate ESG team. Sustainability risk assessment is a qualitative process undertaken by the portfolio managers, rather than a quantitative process involving the calculation of scores.

We consider material sustainability risks in our analysis, in the main, to investments in equity securities, and, where appropriate, to other asset classes.

When evaluating sustainability risks, portfolio managers use traditional data such as company filings, earning transcripts, ESG specific and industry reports.

There is no minimum sustainability performance that we seek when evaluating investments, unless this is explicitly required by the fund mandate. Sustainability risk is considered alongside the many other risk factors when making an investment decision. How a sustainability risk is weighted against the other risks is a discretionary process based on the judgement of the portfolio manager.

(ii) Monitoring

We monitor material sustainability risks in the same way we monitor other material risks. We review company filings, third-party research, and news flows relevant to the company. We may also speak directly to the company or use additional resources such as expert networks.

(iii) Engagement & Voting

Engagement with investee companies can be a key part of forming a financial and qualitative understanding of a business. Sustainability risk factors form part of our engagement and voting practices where we feel they are material to the investment case or are required by our investment mandates.

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 risk factors. 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.

5. Relevant sustainability risks

Governance Risk

We rank governance risk extremely highly when evaluating potential investments. We aim to avoid companies that demonstrate weak governance and have a history of governance issues on the basis they are likely 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.

Environmental & Social Risks

The first step in Setanta’s process for evaluating environmental and social (E&S) risks is to identify potential E&S risks for a given company, recognizing that not all companies and sectors face the same E&S risks. These E&S risks may become apparent through our fundamental bottom-up research process, or we may use third party tools and frameworks to assist with identifying them.

As the next step the portfolio manager determines which E&S risks cross the threshold of financial materiality, if any. The portfolio manager then investigates these material risks and assesses how they might impact the investment.

In our assessment of Environmental & Social risks we pay special attention to companies with large greenhouse gas emissions. These companies potentially face elevated risk from the move to a zero or low carbon global economy (transition risk), for example from polices and regulations.

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: www.setanta-asset.com.

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.