

Asset Management

# Policy on Responsible Investment

January 2023



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## Purpose and ambition

Our purpose is to help our investors and shareholders, as well as our stakeholders prosper in societies which we operate and our planet. We aim to deliver value by focusing on the investment needs of our investors and clients, delivering our philosophy of investment excellence and supporting the transition to a sustainable future.

Over the previous years after its inception, **Mevarse Asset Management** developed approach to responsible investment and becoming a strong and early signatory to the UN Principles of Responsible Investment.

Since then, we have experienced growing interest in understanding how environmental, social and corporate governance issues can create and protect long term value for investors. This has been driven by both the interest of clients, as they become more focused on values as well as value, and regulatory change which is becoming increasingly rapid and unpredictable in markets around the world.

We believe that a deep consideration of ESG factors and commitment to active stewardship is integral to sound investment decisions in order to preserve and deliver long term value for our investors and clients. We support and recognize the contribution we can make to the United Nations Sustainable Development Goals acronymed SDGs, UN Global Compact and the global transition to a low carbon economy as outlined in the Paris Climate Agreement.

Our ambition is to be a leader in responsible investment, driving the transition to a more sustainable economy for the long term benefit of our clients and society. This policy sets out our ambitions and approach to responsible investment, how we implement our commitment to the UNPRI across our business, and describes how we meet the requirements of the EU Sustainable Finance Disclosures Regulation – SFDR.

## Scope

This policy is applied across all business lines and geographies within **Mevarse Asset Management**. Different investment approaches, for example active and passive index tracking management have very different associated ESG risks and opportunities, and therefore implementation of this policy will depend on the investment strategy employed, as laid out in the responsible investment implementation procedure.

- Historically, integration of environmental, social and governance factors has been biased towards listed asset classes. Our proprietary integration methodologies for alternative asset classes such as hedge funds and private equity, are still emerging. ESG frameworks for alternative assets are evolving and will soon be finalized.

## Key sustainability principles

We recognize that sustainability risks can lead to outcomes that have negative impacts on the values of financial products or instruments. We therefore aim to incorporate all material sustainability issues within our investment process. We support the UN Global Compact principles and have developed a standalone policies and statements on banned weapons, biodiversity, climate change and human rights alongside this policy, that further outline our approach including how we integrate associated risks and opportunities, our engagement focus and collaborative activities.

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## UN global compact

Over the years since the inception of the bank, our commitment to the UN Global Compact and its principles in the areas of human rights, labor, environment and anti-corruption have helped shape our approach to sustainable business.

As investors, we support the fundamental responsibilities derived from the Universal Declaration of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

## Banned weapons

**Mevarse Asset Management** active, systematic and index portfolios do not have direct exposure to any listed or unlisted equities or bonds issues by corporations considered to have proven involvement with weapons banned by international conventions, including anti-personal mines, biological weapons, blinding laser weapons, chemical weapons, cluster munitions and non-detectable fragments.

This policy does not apply universally to strategies incorporating third party funds such as our Fund of Hedge Fund business.

## Biodiversity

Natural ecosystems are under threat as a result of deforestation, land degradation, pollution of the water, air and soil, hunting and harvesting, mining and climate change. This presents broad challenges for society and a systemic risk from an investment perspective. We therefore encourage our investee institutions to:

- Manage living natural resources such as forests, in a sustainable manner and avoid or minimize impacts on biodiversity and ecosystem services;
- Avoid or minimize the release of pollutants to air, water and soil and improve efficiency in the consumption of energy, water and other resources;
- Commit to – No Deforestation, No Peat and No Exploitation – policies and use independent certification such as FSC and PEFC for timber and RSPO for palm oil, which reduce the risk to biodiversity in forestry and agricultural commodity supply chain.

## Climate change

A rapid changing climate represents urgent threat to habitats, societies, and economies throughout the world. This was recognized in 2015, when about 195 countries signed the Paris Climate Agreement, committing countries to transition to a lower carbon economy and limit the global average temperature rise to well below 2 degrees celcius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees celcius.

We support the goals of the Paris Agreement and to play our part in reducing global carbon emissions, we are:

- Integrating climate-related physical and transition risks to build resilient client portfolios and also, encouraging our investee companies to phase-out the use of unabated coal power by no later than 2030 in the OECD and EU, and no later than 2040 in the rest of the world.
- Encourage the setting of net zero commitments and appropriate transition plans and catalyzing investment flows to support the transition to a low carbon economy.

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## Human rights, social issues including diversity and inclusion

We are committed to respecting human rights and support international principles and standards including the United Nations Declaration of Human Rights, the International Labor Organization labor standards and the United Nations Guiding Principles of Business and Human Rights.

We therefore encourage our investee companies to:

- Promote the fair treatment, equal opportunity and health and safety for employees and also eliminate harmful or exploitative child labor or forced labor;
- Protect the rights of local communities and indigenous peoples, identify, assess, and respond to human rights risks in their supply chain.

## Implementation

ESG risks and opportunities are identified and prioritized as a part of our research and analysis process. We use a proprietary ESG research platform that combines multiple ESG data points and assessments from independent third parties. We determine the materiality of ESG issues on both an absolute basis and relative basis. Where material ESG risks or potential breach of one or more of the 10 UN Global Compact principles are identified, enhanced due diligence is carried out by the portfolio manager or analyst and investment committee approval is required before investments are made.

Our approach to implementation meets the requirements of article 4 of the SFDR.

## Active ownership

Active ownership is a key pillar of our approach to responsible investment, and of the way we deliver value to our investors and clients. Our activities are focused on protecting and enhancing the investments of our clients and investors through both engagement and voting. Engagement allows us to better understand and evaluate the ESG risks and opportunities at institution level, and encourage better practices.

## Policy advocacy, partnership and collaboration

We play an active and constructive role in supporting the development of a well-functioning and more sustainable financial system. This involves engaging with regulators and policymakers directly, for example by responding to consultations or attending in person bilateral meetings or roundtables, and indirectly through industry bodies. We are active members of a variety of industry bodies, initiatives and networks that advocate for progressive public policy development and action on sustainable investment.

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We work closely with our affiliates and public affairs colleagues to respond directly to consultations and discussions papers that contribute to shaping a more sustainable financial system.

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We recognize the important responsibility we have to support the transition to a low carbon economy, improve market standards and transparency on ESG issues and mobilize capital to deliver on the SDGs and the Paris Climate Agreement. This is not something we can do alone. We are therefore committed to partnering and collaborating with relevant government, regulatory, industry and civil society groups to promote more sustainable outcomes.

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## Transparency inclusions

We believe transparency and disclosure are an integral part of good governance. We expect it from the institutions in which we invest, because it allows us to make better-informed investment decisions. We believe it is equally important for us to be transparent and to communicate clearly with clients, including contractual disclosures and relevant shareholders as well as stakeholders.

This includes:

- Making our responsible investment policies available on our website as required by article 3 of the SFDR;
- Reviewing them and their implementation regularly, at least once a year, and;
- Providing additional disclosure with regulatory requirements and the voluntary commitments we have made.
- Encourage the setting of net zero commitments and appropriate transition plans and catalyzing investment flows to support the transition to a low carbon economy.

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### Important information

The value of investments and the income associated with them can go down as well as up and investors may not get back the amount originally invested. The capital invested in the funds can increase or decrease and is not guaranteed. The performance figures contained in this document relate to past performances, which should not be seen as an indication of future returns. Future returns will depend, inter alia, on market conditions, skill of the fund manager, fund risk level and fees.

**Mevarse Bank always make responsible and calculative decisions as regarding its investment choices**

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Mevarse Bank is able to provide literature in alternative formats. The formats available are – large print, braille and audio CD

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