Link Fund Manager Solutions (Ireland) Limited

Environmental, Social and Corporate Oversight Policy

Last updated:	February 2021
Version number:	1.0

Background

Link Fund Manager Solutions (Ireland) Limited ("LFMSI") is the UCITS Management Company or Alternative Investment Fund Manager (together "AIFM") to

- Undertakings for Collective Investment in Transferable Securities ("UCITS") funds
- Alternative investment funds ("AIFs")
  together commonly known as "the Scheme(s)"

LFMSI is part of Link Group.

Introduction

As a global organisation, Link Group's sustainability and corporate social responsibility (CSR) strategy aims to support Link Group's purpose of connecting people with their assets by doing so safely and securely, and as a responsible business. Our sustainability commitment is to act responsibly to shape a better future, support our clients, contribute to employee well-being, diversity and inclusion, and deliver mutual business and social benefits in the communities we operate in.

The latest annual Link Group Sustainability Report can be found within our Annual Report and is prepared in accordance with the 'Core' option of the Global Reporting Initiative's (GRI) standards. The Report covers all countries in which we operate and our approach is structured around areas considered to be material to our business. In particular, we place a strong focus on risk management and sustainable business practices. This means that we aim to make integrity, information and data security, privacy and compliance part of everything we do. If you have any queries about the Report or our sustainability performance, please contact our CSR & Sustainability Manager at sustainability@linkgroup.com.

As part of the European Sustainable Finance Disclosures Regulation (SFDR) there is an obligation on Management Companies/ACDs, Investment Managers and Funds to adopt a number of ESG and Sustainability related policies and disclosures. The UK has not adopted the EU Laws in UK Laws but the expectation is they will adopt very similar requirements.

LFMSI Oversight Policy

This Policy sets out how LFMSI (or "the Firm") is committed to ensuring that Managers and Funds that espouse an Environmental, Social and Corporate Governance ("ESG") considerations into its investment management processes are regularly managed and assessed with compliance with those factors.

ESG has entered the mainstream as Governments, Regulators and Investors are increasingly demanding that companies and their owners consider the wider implications of their activities and expect that Investment Managers take ESG factors into account in formulating their investment policies.

This Policy, which takes account of the 6 UN Principles for Responsible Investment, applies to all funds managed by each Investment Manager who have stated that they will have an ESG or Sustainability Objective, as expressed on the UN PRI (Principles for Responsible Investment, an organisation supported by the UN) website, these six principles are as follows:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

This policy is overseen by and reviewed at least annually by the Investment Performance and Investment Risk Committee.

Definitions

The sheer volume of ESG-related initiatives in the last few years has given a major boost to responsible investing. Climate change has seen the greatest focus, however many other sustainability and shareholder engagement rules have been introduced.

LFMSI considers the factors outlined below to be core ESG considerations and a key part of the investment management and decision-making processes:

Environmental: Issues relating to the quality and functioning of the natural environment and natural systems. For example, the contribution an entity makes to combatting climate change through factors including cutting greenhouse gas emissions and pollution, sustainability, waste management and increased energy efficiency.

Social: Issues relating to the rights, well-being and interests of people and communities. For example, where an entity integrates factors including human rights and trafficking, diversity, consumer protection, animal welfare, labour standards in the supply chain, adherence to workplace health and safety and exposure to illegal child labour into its business practices.

Governance: Issues relating to the governance of companies and other investee entities. For example where an entity has a well-defined corporate governance system, incorporating a robust management structure, strong employee relations, closely monitored executive compensation, equitable employee compensation - all of which can be used to balance the interests of the different stakeholders and supports the entity's long-term strategy.

Reference to "entity" above can include corporates, public bodies, governments and supra-national bodies.

Integration of Financial and Non-Financial Goals

The Firm believes that the incorporation of both financial and non-financial factors into the investment management, decision-making and ownership processes is critical to ensuring sustainable growth and will actively engage with each Investment Manager in this regard.

Regulatory momentum continues to build. In the EU this is shaped by the Sustainable Action Plan, with European Securities and Markets Authority (ESMA) proposing that investment firms should incorporate ESG principles into processes including product approval, investment reporting and risk management.

For the financial planning community, perhaps the most significant change is a proposed amendment to Article 25 of MiFID II – something that many financial advisers are reported to be unaware of. This relates to the suitability assessment, and will require firms to take sustainability risks and clients' sustainability preferences into account. For asset managers, proposed reforms to Undertakings for the Collective Investment in Transferable Securities Directive (UCITS) and Alternative Investment Fund Managers Directive (AIFMD) mean incorporating the consideration of sustainability risks into governance structures and operating models.

Financial Goals

The Firm's objective in relation to ESG is to ensure that the Investment Managers appointed to manage the funds operated by the Firm, have the protection of the financial interests of investors as their primary goal when reviewing investments. The focus is on investing in, and engaging with, companies that are capable of adding value over the long-term, thereby having a positive effect on the value of portfolios as well as society.

Non-Financial Objectives

There is no universal set of Environmental Social and Governance objectives, which are accepted by all investors. There are a range of standards issued by non-governmental agencies, such as the United Nations supported Principles of Responsible Investment. The biggest issue is the measurement and benchmarking of the non-financial aspects of ESG. The principle is if you cannot measure it, it is impossible to manage.

The expectation of LFMSI is that Investment Managers incorporate ESG factors into investment analysis, investment decision-making and active ownership. In addition, Investment Managers are encouraged by EU and Governments to invest in themes or assets that contribute to addressing sustainability challenges, typically those addressed by the UN's Sustainable Development Goals (https://www.un.org/sustainabledevelopment/). If Investment Managers do not opt in, they will need to explain why.

Most corporate entities are now reporting on the amount of carbon dioxide consumed by a company to produce a product or a service, as it is easier to ascertain. Measuring some of the social and governance aspects is more challenging, especially as there is so much variance in corporate "normal behaviour" across the world. Until the fund management industry has established common methodologies around ESG criteria, it will be difficult to compare and contrast the reporting received from each Investment Manager.

EU-based financial market participants are required to confirm if they consider principal adverse impacts of investment decisions on sustainability factors for the financial products they manage. LFMSI does not consider such impacts at this time. This is due to the size and scale of its activities. In addition, investment decisions on sustainability factors for the funds are made by the Investment Manager.

Reporting/Disclosure

The Firm will seek reports from each of the Investment Managers at least annually on their own ESG Policies and Procedures and the extent that ESG matters have been taken into account in the formulation of the funds they manage.

Prevalent responsible investment approaches can be categorised into four different activities:

- **negative exclusion:** applying exclusions based on moral, ethical or religious beliefs;
- **positive screening**: actively investing more in companies that demonstrate better ESG credentials;
- **impact investing:** investing or engaging with companies that have a central purpose of solving societal problems; and
- **mainstream ESG investing:** integrating material ESG and other sustainability factors alongside fundamental business performance factors in mainstream investment decisions.

Where required, the Firm is committed to reporting to Investors on ESG considerations and it is expected that the level of reporting will increase over time as more data becomes available and common methodologies and criteria are established.

*Prescribed transparency disclosures in pre-contractual documents of ESG Funds, specifically those with an environmental or social focus ("Article 8**" or "Light-Green"** Funds") or a Fund that has sustainable investment as its objective ("Article 9" or "**Dark-Green"** Funds"). Such disclosures will provide details about how the ESG characteristics of the Fund are met, and where an index has been designated, further information about how the index is consistent with these characteristics, or aligned to the Funds ESG objective, as appropriate. In addition, all funds must advise manner in which sustainability risks are integrated into their investment decisions.*

The LFMSI website (or the Investment Managers as necessary) will be updated with further disclosures in relation to a Fund's ESG objective and information about the methodologies used to measure and monitor the environmental / social characteristics of same, as well as prescribed transparency disclosures in pre-contractual documents and periodic reports.

Disclosures need to be included in the Financial Statements for Funds that have an ESG focus.

The annual financial statements will be made available to investors and will summarise the ESG data for all the funds held, from 1 January 2022. The Firm will engage directly with Investment Manager Delegates over time to enhance the information provided.

The Firm will ensure integration of prescribed disclosures is included in Prospectus and Financial statements of ESG Funds.

Engagement with Investment Management Delegates

The Firm is committed to ongoing engagement and dialogue with each Investment Manager on how they adopt their ESG considerations to improve outcomes. We believe that this approach will, as it feeds down the investment chain, help to reward issuers for positive performance and penalise issuers for poor performance and overtime will lead to more sustainable economic and corporate governance models. A key component linking this is LFMSI Shareholder Engagement Policy (see Shareholder Engagement policy).

Monitoring

In order for the Firm to ensure Funds which declare an ESG or Sustainability bias comply with the Investment Policy, the Firm will need to receive on at least a Quarterly basis the Investment Manager's Analysis of his portfolio against his documented criteria and procedures.

Link will also independently review these portfolios using industry standard ESG/Sustainability benchmarks data in order to challenge the manager's own ESG/Sustainability definitions/data. Where material differences appear in securities ESG/Sustainability scores, Link will challenge the Investment Manager and, if explanations understood and agreed, the Firm will document the reasons for discrepancy. Where a security is clearly not permitted to be held in the portfolio the Investment Manager must sell the security.

Where Investment Managers set guidelines that prohibit investments in companies which are excluded on moral or ethical grounds (e.g. tobacco, armaments, etc.), the Firm will monitor those exclusions and will follow up with the Investment Manager any non-compliance with the Investment Mandate.

Proxy Voting

Proxy voting is seen as an important shareholder right and active engagement should be taken to ensure that these rights are exercised. The Firm will engage with each Investment Manager in relation to its proxy voting policy with a view to ensuring that these rights are exercised to the fullest degree possible.

In accordance with the obligations of the Shareholders Rights Directive, the Firm will encourage its Investment Managers to actively engage with Companies they have invested in to align their behaviors in the long-term interests of Investors.

Version Control

Issue	Date	Reason(s) for Change	Author / Approver
1.0	February 2021	New Policy (EU (Sustainability-related disclosures in the financial services sector) 2019)	Link Fund Manager Solutions (Ireland) Limited