

E.I. Sturdza Funds plc

Responsible Investing Policy



Effective Date: 2nd March 2021

Introduction

E.I. Sturdza Funds plc (the “**Company**”) is a self-managed UCITS investment company authorised by the Central Bank under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 as amended (the “**UCITS Regulations**”).

The Company is a ‘financial market participant’ for the purposes of the Sustainable Finance Disclosure Regulation (EU) 2019 / 2088 (“**SFDR**”).

Pursuant to Article 3 of SFDR, “*Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.*”

Sustainability risk is defined under the SFDR as “*an environmental, social or governance event or condition that, if occurs, could cause an actual or potential material negative impact on the value of the investment.*”

The Company has delegated the discretionary investment management of its sub-funds to E.I. Sturdza Strategic Management Limited (“**EISSML**”). EISSML integrates sustainability risks into its investment decision making process and contactually ensures that any duly appointed investment advisers appointed to a sub-fund of the Company are required to integrate sustainability risks into their investment decision making processes.

Accordingly, and for the purposes of meeting its requirements under SFDR, the Company wishes to adopt the responsible investing policy of EISSML, as appended at Annex I hereto.

Testing of EISSMLs compliance with its responsible investing policy

Quarterly reporting from EISSML to the Designated Person, and quarterly reporting from EISSML to the Board, allows the Company to consider whether EISSML is complying with the terms of its responsible investing policy.

Periodic Review of Policy

The Designated Person shall be notified of any changes to the responsible investing policy of EISSML as appended at Annex I hereto and shall assess whether such changes allow the Company to continue to comply with its obligations under SFDR. Such revised policy shall be presented to the Board for its consideration, and if thought fit, adoption.

On an annual basis, the Designated Person shall, in conjunction with EISSML conduct a review of how the responsible investing policy of EISSML has been implemented over the previous twelve months.

Annex I

[Append copy of current EISSML Responsible Investing Policy]



ERIC STURDZA
INVESTMENTS

Responsible Investment Policy

As adopted by E.I. Sturdza Funds plc

Our Philosophy

Eric Sturdza Investments is mindful of the global issues facing humanity and our obligation to take steps whenever possible to support initiatives that seek to address these. Eric Sturdza Investments believes that high standards of corporate responsibility will generally make good business sense and have the potential to protect and enhance investment returns.

We seek to gain an understanding of the relevant Environmental, Social and Governance (“ESG”) issues applicable to our investments through our monitoring process and to identify those issues which may potentially threaten the value of portfolio investments.

With this in mind, Eric Sturdza Investments has established a Responsible Investment (RI) policy which has the following pillars:

- The portfolio management teams we work with have integrated ESG considerations into their investment process.
- Focus on investments in companies that have fully adopted, or those that are actively transitioning, their business models / processes to more sustainable approaches; whilst discouraging investments in companies that are falling short in this regard.
- Directly support charitable and social initiatives that address such considerations.

To help us achieve this, we have developed a two-step RI approach:

1. Established an exclusion list of industries that are prohibited for investment; and
2. Provided our portfolio management teams with access to high quality ESG research and data to ensure that ESG considerations are integrated into their investment processes.

This policy applies to all collective investment schemes where Eric Sturdza Investments has been appointed as Investment Manager.

Accurate, reliable and extensive ESG research is crucial to our process. As such, we have engaged with Sustainalytics as our data provider. Sustainalytics is a global leader in ESG and Corporate Governance research and ratings. Founded over 25 years ago, the firm supports hundreds of the world’s foremost investors in meeting their responsible investment objectives.

Eric Sturdza Investments believes that responsible investment is best embodied by the United Nations (UN) supported Principles for Responsible Investment (PRI). To confirm our approach to responsible investing, we are a signatory to the PRI, and are committed to its six guiding principles. In the longer term, our goal is to offer clients access to a suite of sustainable investment portfolios which truly align ambitions for investment returns with supporting the UN’s Sustainable Development Goals (see Appendix 1 for further detail).

We want our investment strategies to achieve two objectives (in addition to their financial targets):

- Incentivise corporates and governments to improve their environmental, social and governance impact.
- Make investments which align with the UN’s Sustainable Development Goals.

Our Process

Eric Sturdza Investments has an ESG Committee in place (comprised of senior management) which governs the definition and application of its Responsible Investment policy, subject to Board approval. The committee will be guided by international conventions and applicable laws and directives and will rely on specialist research when defining ESG criteria.

Each of our Investment Advisors have established their own RI policy which broadly aligns to our own, and serves to govern the management of the portfolio/s for which they are appointed.

1. Exclusion Policy

- a) We will not knowingly invest in companies that are involved in Controversial Weapons (core weapon systems or components/ services that are considered tailor-made). We will also exclude companies considered involved via a substantial corporate ownership (over 10%).
- b) We will not knowingly invest in companies that derive a significant proportion (we define significant as being greater than 10%, unless specified otherwise below) of their revenue from the following product areas:
- Thermal Coal Extraction.
 - Thermal Coal Power Generation (share of revenue > 25%).
 - Oil Sands Extraction.
 - Arctic Oil and Gas Exploration and Extraction.
 - Shale Energy Extraction.
 - Small Arms (civillian customers and retail distribution).
 - Predatory Lending.
 - Whale Meat processing.
 - Tobacco Products (production).
 - Adult Entertainment (production and distribution).

Please see Appendix 2 for additional information regarding each of the product areas we exclude and why we choose to exclude them from our portfolios.

Our exclusion list will be reviewed annually unless a specific event necessitates an out-of-cycle review.

We use the Sustainalytics Product Involvement tool to independently identify companies that are involved with excluded industries / practices.

Why do we not exclude all fossil fuels from our portfolios?

Currently, the global economy still needs traditional energy (oil, coal, gas, etc.) in order to operate. If traditional energy production were to halt overnight, economic activity would collapse and we would not have the resources to address the issues facing society.

Logically, if we were to screen out all traditional energy providers, we would also have to screen out all companies that use traditional energy as an input; this would include vast swathes of the investable market. Secondly, whilst it might be a small proportion of their business activity, some energy companies are investing in renewable energy and / or carbon capture technology.

The majority of these companies are large and therefore their investments are significant and have the potential to affect change at an accelerated pace. We want to encourage those firms that are transitioning quickly and penalise those who are not. Thus, when we invest, it is only in those companies that have considered the ESG impacts in their sector and are making improvements for the future.

We think this approach will incentivise energy companies to invest in cleaner technology.

2. ESG Integration

In addition to using traditional methods when selecting portfolio constituents (fundamental analysis / valuation methodologies etc.) we also require our Investment Advisers to incorporate a consideration of ESG factors into this process.



We would anticipate that the following factors should be considered (note that this list is not exhaustive):

Governance

- Size, diversity and independence of board.
- Board and management quality.
- Board commitment towards ESG factors.
- Transparency (remuneration policy).
- Exposure to corruption.

Environmental

- Energy and resource use (carbon emissions / water usage).
- Production of pollution / hazardous waste.
- Positive contribution to environment.
- Production of "green" technologies.
- Supply chain considerations.

Social

- Influence on communities / stakeholders.
- Unlawful activities and business practices.
- Ethical working practices (health and safety).
- Positive contribution to society via charities and other programmes.

Additionally, we require our Investment Advisers to actively engage with the underlying portfolio companies. We also emphasise the importance of using voting rights in order to ensure a culture of strong corporate governance and a focus on environmental issues.

We use the resources of Institutional Shareholder Services (ISS), a leading voting services provider, to assist with this. It is our intention to vote a high proportion of available proxies. An annual voting report will be published on our website summarising our voting activity.

Furthermore, we monitor the social and environmental characteristics through actively reviewing all portfolios on a regular basis to ensure compliance with our responsibilities as a signatory to the UN Principles for Responsible Investment and our own objectives as outlined in this policy.

We are a member of the Institutional Investors Group on Climate Change (IIGCC), a European membership body for investor collaboration on climate change. Under this obligation, we intend to monitor the carbon footprint of each portfolio using data provided by Sustainalytics, and to encourage Investment Advisers to engage with the underlying companies on strategies to improve their carbon footprint and to reduce / mitigate climate-related risks. In addition, we will collaborate with other members to advocate for better practices in addressing climate risks.

When we identify any material ESG risk in an individual position, we will look to the Investment Adviser to justify why they are holding that position, perhaps the investee company is looking to make improvements or possibly the Investment Adviser disagrees with the assessment made by Sustainalytics.

In either case we expect the Investment Adviser to have engaged with the investee company and to provide justification. If we are not satisfied with their explanation, then we will require them to divest within a reasonable time frame in the best interests of investors.

The Investment Manager and Investment Advisers also comply with requirements issued by the French authorities (AMF position DOC-2020-03) as set out in Appendix 3.

Appendix 1

In 2016, the United Nations launched its 17 global goals for sustainable development. Following collaboration between governments, businesses, civil society and individual citizens, the global goals on poverty, inequality, injustice and climate change were agreed, with the purpose of making positive changes in all these areas by 2030.



Further information on the UN Sustainable Development Goals can be found here: <https://www.un.org/sustainabledevelopment/blog/2015/12/sustainable-development-goals-kick-off-with-start-of-new-year/>

Appendix 2

Thermal Coal Extraction – on a lifecycle basis thermal coal is more carbon intensive than other fossil fuel sources. Thermal coal is mainly used in power generation.

Thermal Coal Power Generation – from an energy generation perspective thermal coal is easily substitutable.

Oil Sands Extraction – considered unconventional because extraction is extremely carbon intensive, and dirty. Extraction methods cause air pollution 'in situ', as well as water withdrawal, and contamination from mining.

Arctic Oil and Gas Exploration & Extraction – exploring for oil and natural gas in the Arctic is controversial in the context of global climate change as well as because of the increased risk of environmental disasters.

Shale Energy Extraction – production involves environmental risks like water pollution and carbon emissions. Rock fracture, fracking, is needed to make natural gas flow through the shale, which poses environmental concerns due to its potential effects on the watershed. Shale energy is also associated with slightly higher carbon emissions than conventional resources.

Controversial Weapons – Eric Sturdza Investments acknowledges the right of nations to use legitimate weapons for national self-defence and national security purposes as set forth in the Charter of the United Nations. We accept that various types of weapons are necessary for achieving internationally accepted goals such as peacekeeping missions.

However, the defence industry is complex, and we are very mindful that the industry entails significant risks related to various types of controversial weapons and their potential use where international humanitarian laws could be violated; or used for purposes other than national security and self-defence.

In this context, we focus specifically on controversial weapons. These are weapons which (could) inflict large-scale suffering on civilians, or the victims of which are civilians. This involves six types of weapons within the following categories:

1. Weapons of mass destruction:
 - a) Nuclear weapons.
 - b) Chemical weapons.
 - c) Biological weapons.
2. Weapons which impose considerable risk to civilians during and / or after the cessation of hostilities:
 - a) Anti-personnel mines.
 - b) Cluster bombs.
 - c) Munitions with depleted uranium.

We exclude companies which are involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapons listed.

Small Arms; Civilian Customers – considered controversial as they are reported to be a major factor in the increase of armed conflict worldwide. They are the weapon of choice for many terrorist groups around the world and often hinder smoother rebuilding and development after a conflict has ended. Besides the loss of human life and physical harm, armed violence also has significant (direct and indirect) economic costs.

Predatory Lending – considered controversial due to its questionable or immoral business ethics and the potential socio-economic impacts of high interest rates and / or unfavourable terms on borrowers.

Whale Meat processing – considered controversial since the number of whales has declined increasingly during years of over-exploitation and some species are at the point of becoming extinct. The controversy on an ethical level also concerns the suffering that the animals are subjected to when hunted.

Appendix 2 continued

Tobacco Products; production – the harmful effects of the tobacco industry are well documented:

- Tobacco kills up to half of its users and more than 8 million people per year.
- Around 80% of the world's 1.1 billion smokers live in low and middle income countries.
- In some countries, children are employed in tobacco farming to boost family income.
- Big tobacco actively conceals the dangers its products cause.

Source: World Health Organisation (<https://www.who.int/news-room/fact-sheets/detail/tobacco>).

In 2017, the UN Global Compact (a UN initiative to encourage businesses to adopt sustainable policies) excluded tobacco companies from participating in the initiative. Their decision recognised that tobacco products are in direct contravention of UN goals, particularly the right to public health and well-being.

In our view, there is a fundamental and irreconcilable conflict between the tobacco industry's interests and public health interests. The tobacco industry produces and promotes a product that has been scientifically proven to be addictive, to cause death and disease and to give rise to a variety of social ills, including increased poverty.

It is clear that engagement with the industry will not lead to change, as tobacco companies will not stop producing cigarettes. As such, we have determined that investing in tobacco is not compatible with our commitment to being a socially responsible investor.

Adult Entertainment – considered controversial as it is claimed that it may undermine faith and family values. Other concerns are that the materials show the subordination of those involved. Additionally, the industry is considered by many as being exploitative.

Appendix 3

To comply with requirements issued by the French authorities (AMF position DOC-2020-03) the Investment Manager and Investment Advisers will also:

- Ensure the average ESG risk rating of the Fund portfolio will be better than the average ESG risk rating of the universe into which the Fund can invest.
- The proportion of the Fund's portfolio with an ESG rating must be higher than:
 - 90% for equities issued by large capitalisation companies whose registered office is located in developed countries, debt securities and money market instruments with an investment grade credit rating, or sovereign debt issued by developed countries;
 - 75% for equities issued by large capitalisation companies whose registered office is located in emerging countries, equities issued by small and medium capitalisation companies, debt securities and money market instruments with a high yield credit rating or sovereign debt issued by emerging countries.

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