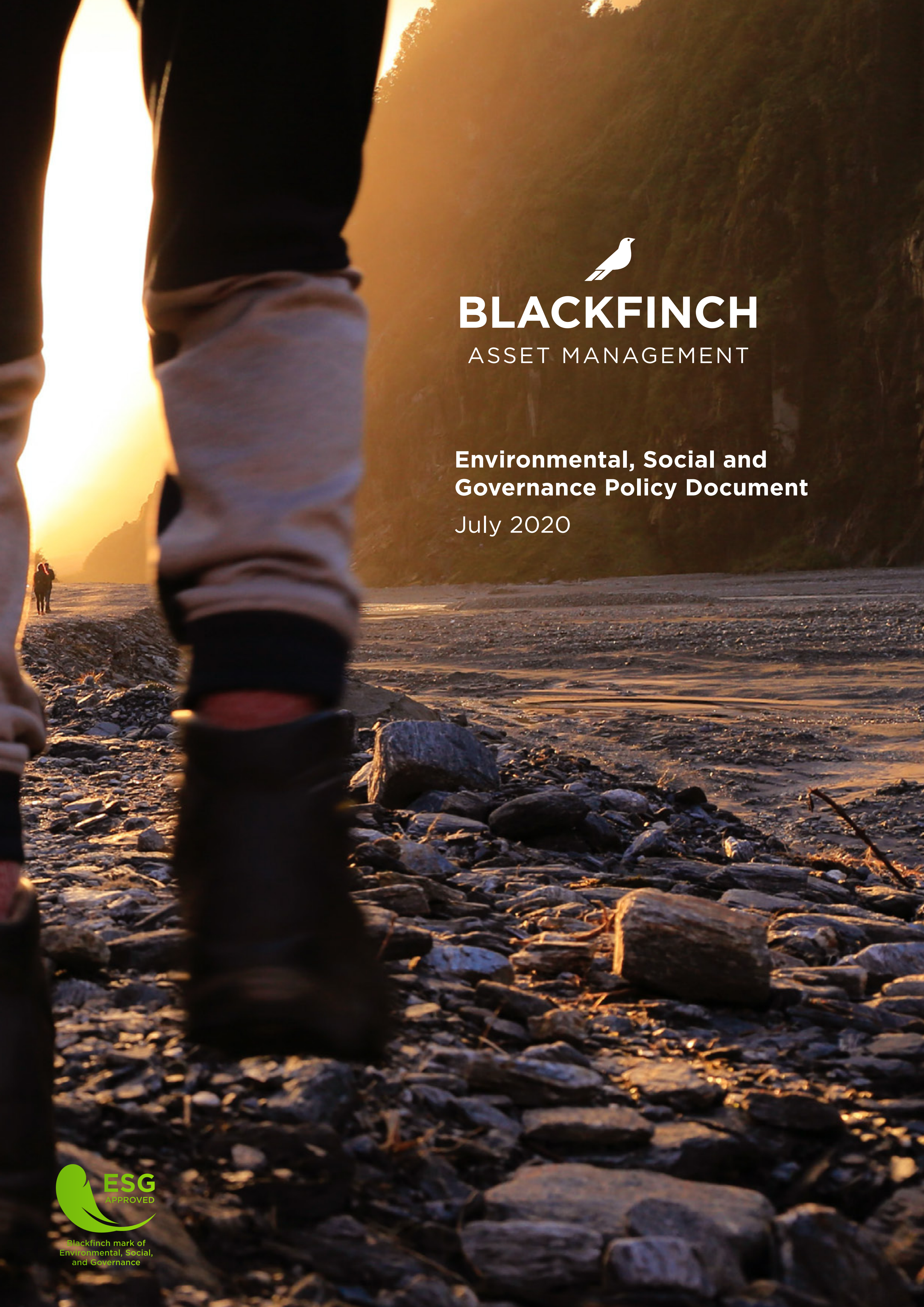


BLACKFINCH

ASSET MANAGEMENT

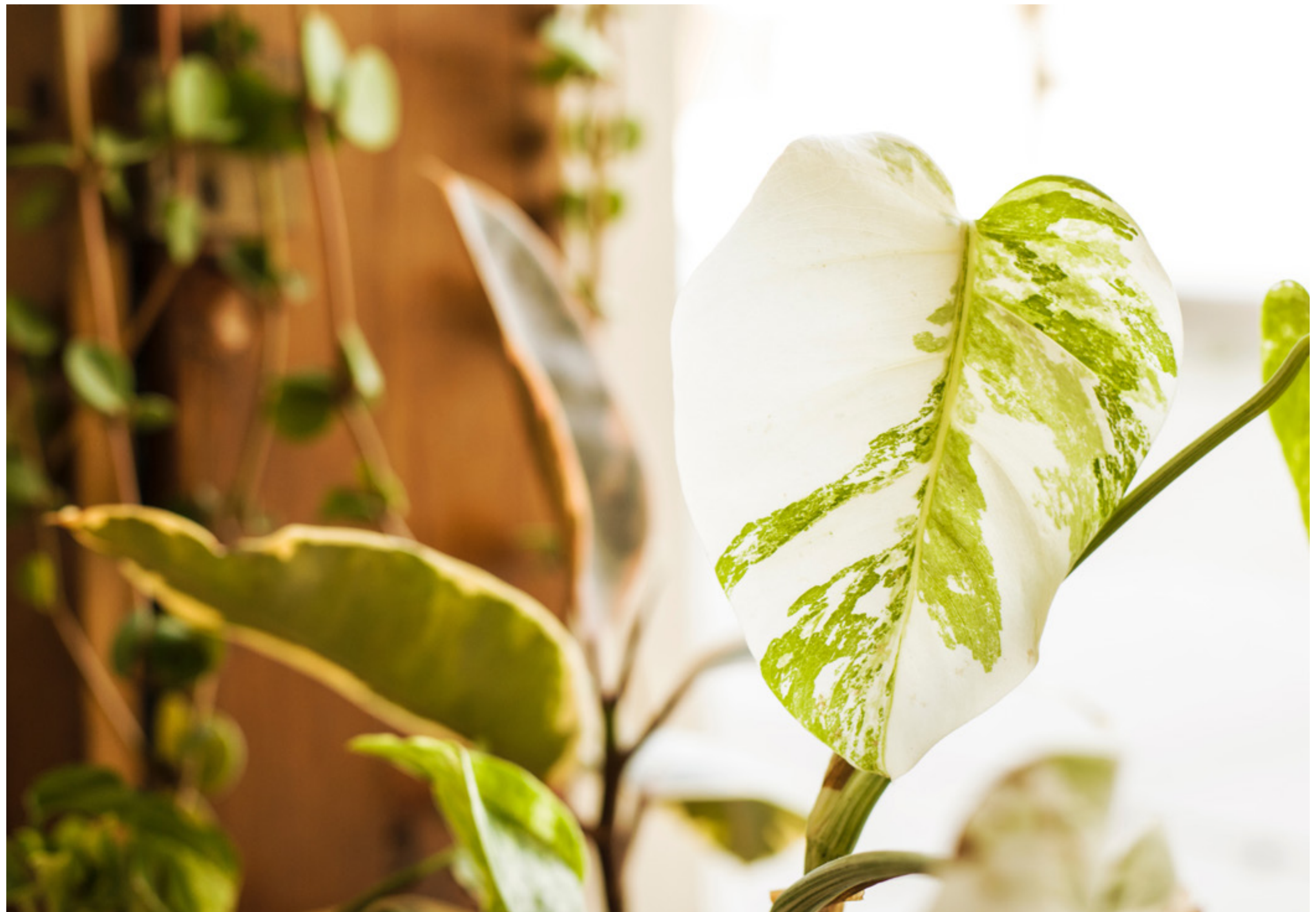
Environmental, Social and Governance Policy Document

July 2020

ESG APPROVED

Blackfinch mark of Environmental, Social, and Governance

Contents



Introduction

The impact companies have in terms of Environmental, Social and Governance (ESG) factors is becoming more important to investors. They're taking an interest in how their investments affect the world around them. They want to know how firms are performing, in terms of their operations, products and services.

Similarly, many consumers now prefer products from companies that consider their impact on the environment and society more broadly. This is as well as ensuring that staff and wider supply chains are treated with equality and respect for their human rights.

The financial services industry has responded with a set of definitions and approaches to responsible investing. While these are comprehensive, they're also often confusing. At Blackfinch Asset Management we have a formalised and structured approach to the factors involved in responsible investment. We consider these in the investments we make across all of our portfolios. However, we know that ESG investing means different things to different people. We're also aware that each investor is guided by their own views and beliefs.

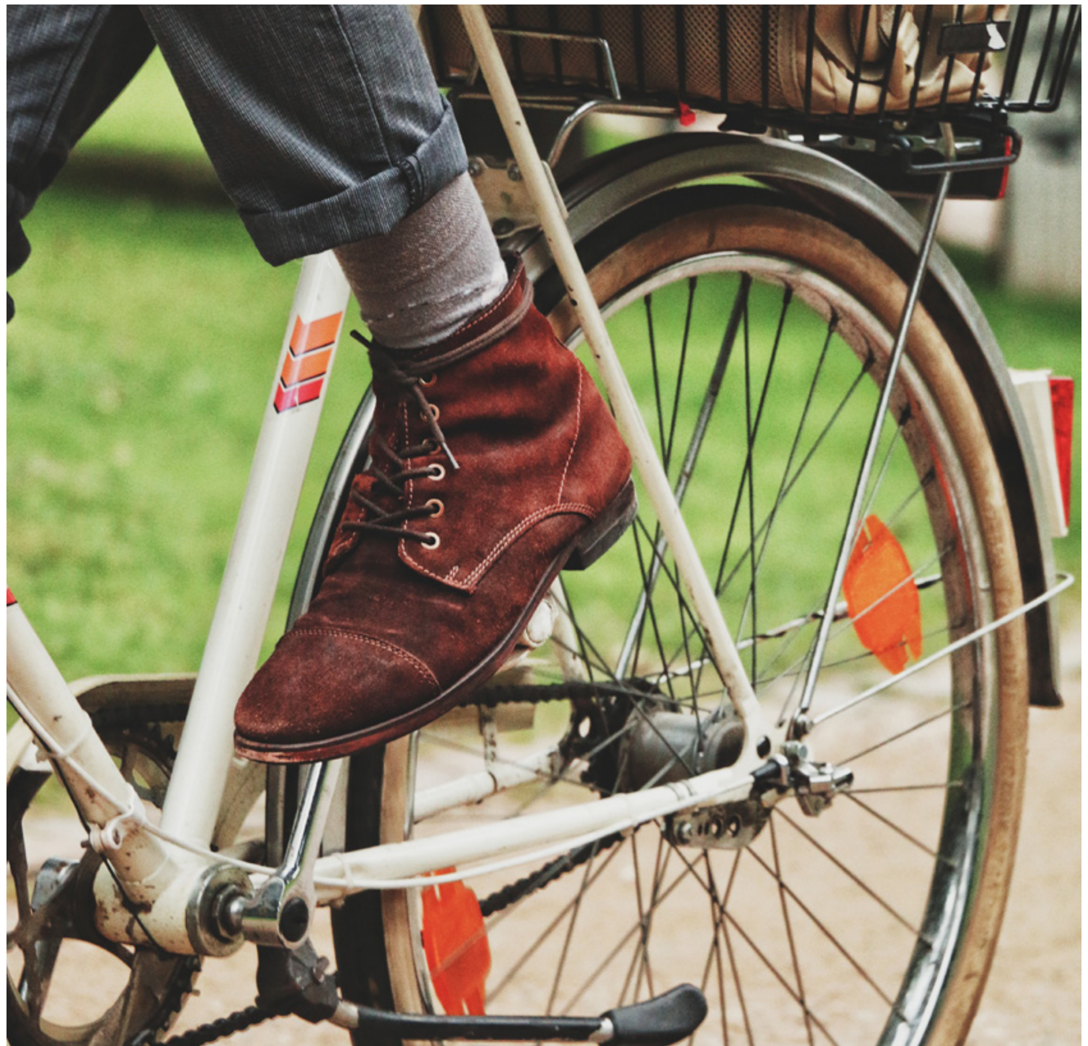
For all these reasons we openly publish our stance on ESG factors. This covers what we look for when selecting investments and how we ensure they align with our principles and beliefs. In this document we have also included relevant approaches, definitions and aims relating to ESG. This reflects our commitment to transparency. Our main aim is for investors to be able to assess if their views align with ours.

What is ESG?

What is the official definition of ESG?

Over the last few years, ESG has started being used more to describe how well a business is managed than to explain how sustainable its product or service is. More recently, the mainstream press has been using 'ESG' as a catch-all term for investing with a 'responsible' or 'ethical' screen.

There are no official industry or regulatory standards for comparing these different approaches. However, with ESG now so important, some key definitions for certain factors have been accepted across the industry.



What do we define as the E, S and G factors?

Environmental

Investing with consideration for the environment. This includes working to reduce pollution and climate change, and to source sustainable raw materials using clean energy sources. The focus is on how a firm approaches environmental concerns, the ecological impact of its products and its carbon footprint.

Social

Investing with consideration for human rights, equality, diversity and data security. The focus is on how companies are incorporating these. It's also about looking to see if each is actively investing/working towards a healthier and higher quality of life for staff and stakeholders. We also consider whether companies expect the same set of standards and values from their suppliers.

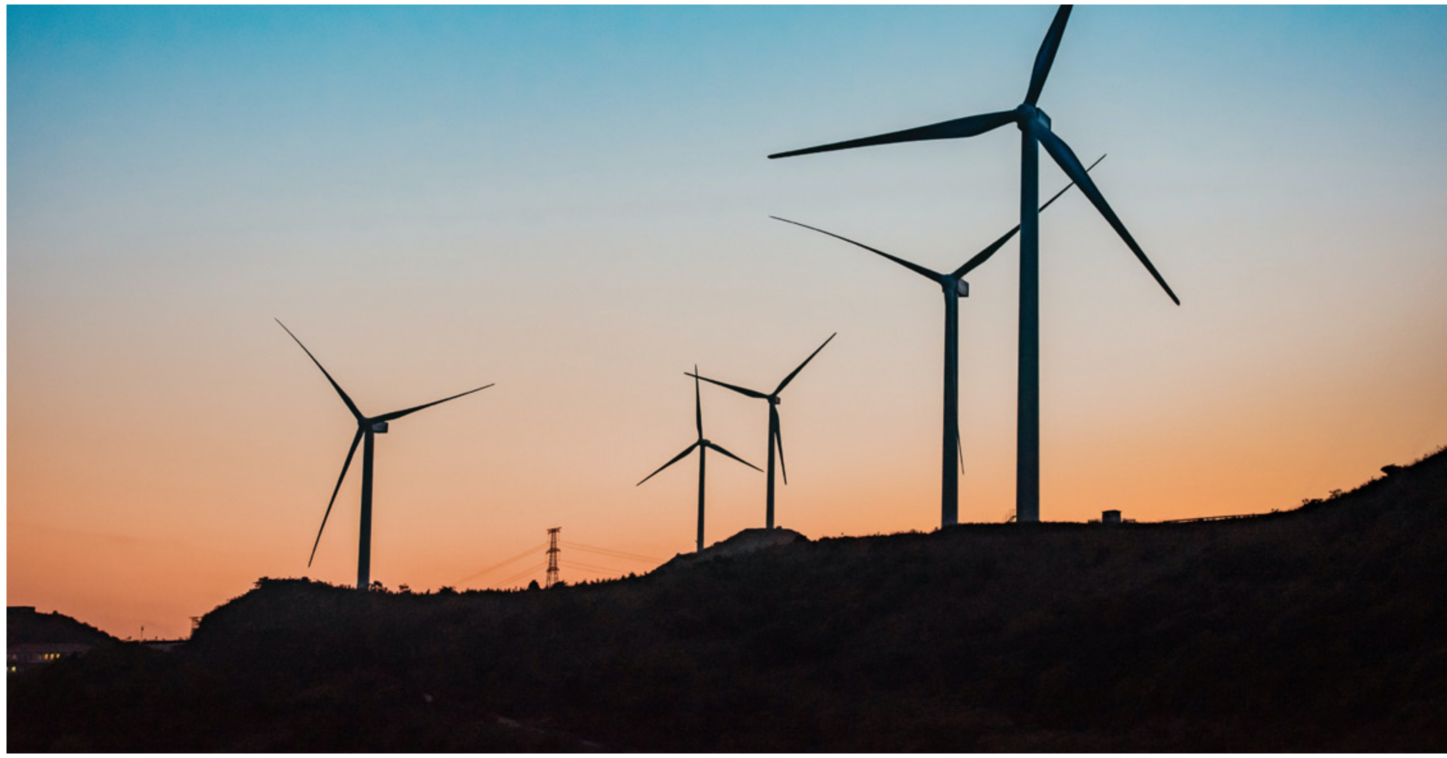
Governance

Investing with consideration for positive employment practices, business ethics and diversity. The focus is on how a company builds its management structure and works with all its different stakeholders. How does it approach investor and employee relations? Does the board work with transparency, honesty and integrity? Does this filter down to the rest of the company?

ESG approaches in industry

What are the main related approaches adopted by asset managers today?

Different asset managers offer different approaches. We know how important it is that an investor's beliefs and objectives are aligned with the firm they choose. Below is an overview of the main approaches today:



Engagement

Actively engaging with shareholders to promote responsible business practices. This includes challenging investee firms to improve, or be more proactive, around how they're run. The focus is also on this being for the benefit of a broad range of stakeholders, not just shareholders.

Ethical

Avoiding industries such as tobacco, arms, gambling and pornography. More recently this has come to include other controversial industries such as fossil fuels and oil & gas.

Impact

Targeting measurable environmental or social impact, e.g. carbon emissions. This is an extension of sustainable themes, where investors want to invest in firms that have a positive impact. We're starting to see this documented, including as part of contributions to the United Nations' Sustainable Development Goals.

Responsible

This is a slightly broader version of specialist sustainable investing. Some conventional funds may avoid particular areas of the market on sustainability grounds. There's also an element of crossover with the 'Engagement' approach.

Stewardship

Having formal policies in place and holding companies to account. This is done by actively voting and challenging the board and management teams, to improve the way firms are run.

Sustainable

Focusing on specific ESG challenges, e.g. reducing further climate change or using sustainable energy. It also involves focusing on companies that reflect ESG trends in their sector. These firms are growing as they can offer the sustainable materials, processes and products that customers want. The area also includes environmental technologies and renewables, along with health, education, cyber security and many others.

Our approach to ESG

We're adamant that a portfolio must deliver on its investment objectives, without a detrimental impact on society and the wider environment.

ESG is not just a trend. We believe it's a key consideration for strong future business performance. Companies that strive to improve their ESG impact carry less reputational risk. They'll appeal more to consumers wishing to buy from those that support the environment and wider society. In contrast, companies that don't attend to their ESG impact face a shrinking customer base.

In turn, we believe that investing in companies strongly aligned with ESG considerations can lead to superior returns. We know there's a strong correlation between companies which improve their ESG factors and share-price performance.

Our beliefs on the importance of ESG factors are core to our process and integral to how we work. We apply them to any portfolio that we manage. We don't take a reductive approach, such as offering an ESG range of portfolios and a non-ESG range of portfolios.

As mentioned, the definitions highlighted above are not static. We continue to see media outlets and marketing departments using terms differently. However, what's key is that people are analysing and using ESG aspects to help make better investment decisions. At Blackfinch Asset Management, the degree to which ESG influences our decisions is what's important.

How do we implement ESG investing?

The principles set out in the UN Global Compact are central to our ESG policy. In September 2015, all 193 Member States of the United Nations adopted a plan for a better future for all. This included setting out Sustainable Development Goals along with ten principles. These helped to lay out a path for the next 15 years to end extreme poverty, fight inequality and injustice, and protect our planet.

The principles are the foundation for any company seeking to advance their goals. We draw on them, translating them into relevant factors. In particular, this enables us to assess potential investments.

Positive screening

We focus on positively screening investments. This involves selecting firms that show examples of environmentally friendly and socially responsible business practices. We aim to ensure that the fund managers behind the investments we select can and do exercise their power as shareholders to help shape the direction of investee companies. Such firms also often encourage other companies, like their suppliers, to engage with and improve their ESG impact.

Our approach highlights that companies need to consider the impact of their business practices and that stakeholders can collectively help steer them in the right direction. It also helps us to find investments where the company's impact on and legacy in the world is of great importance. We're highly committed to positive screening. We believe that, as stewards of capital, we have a pivotal role in ensuring that those we invest in are answerable to ESG concerns.

Negative screening

We automatically screen out investments that are prohibited under international treaties. Wherever possible, we avoid companies that create negative impacts considered incompatible with the UN Global Compact Principles. We have provided these below.

We expect the firms in which we invest to meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. We believe that responsible businesses enact the same values and principles wherever they have a presence. We also know that good practice in one area does not offset harm in another.

The UN Global Compact Principles:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Methodology and aims

Each investment must pass our rigorous research process to ensure that it fits our policy. We use quantitative and qualitative research to capture not just sustainability 'leaders', such as those with exemplary credentials, but also 'improvers'.

Our aim is to invest in funds that either have a focus on improving sustainability issues, or businesses that have strong metrics relating to ESG criteria. Positive screening allows us to identify investments aligned with the UN Global Compact principles informing our criteria. We also use it to question and interview each underlying fund manager. This means we can be comfortable that their investment process and views on ESG implementation align with ours.

In this way, we can find investments that set a positive example. This could be through environmentally friendly products, socially responsible business practices or strong corporate governance infrastructures.

We continue to seek out fund managers who invest in businesses aligned with ESG principles, that are working towards a more sustainable future. It's not just about recognising what is being done by businesses today. It's about encouraging firms to keep ESG considerations at the forefront of what they do over the long term. This helps to ensure that they continue to strive to achieve high ESG standards.

Passive Investments

Within the area of passive investments, the adoption of ESG considerations is at a very early stage. In drawing on passive investments, wherever possible we select those that adhere to our ESG principles.

We're pleased to see that this area is growing rapidly. As part of our commitment to the space we engage with investment houses on their future solutions. Our aim is to ensure that these meet our requirements.

Our ESG Investment Policy

In managing our portfolios and selecting investments we adhere to the following Blackfinch Asset Management ESG principles:

We invest with a core focus on the UN Global Compact Principles
The UN Global Compact has ten principles outlining core values. We assess potential investments against these. Wherever possible we screen out investments that contravene the principles.

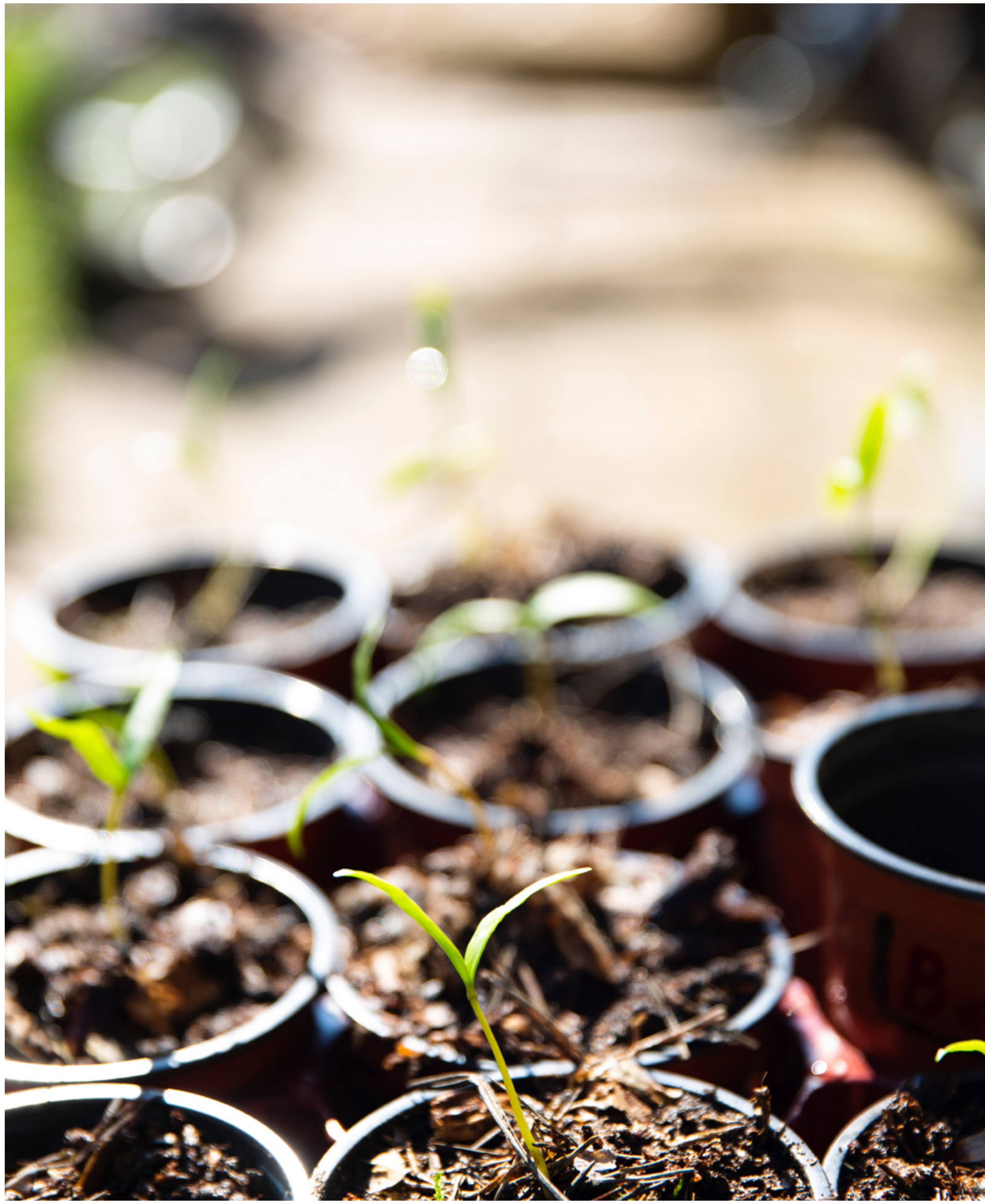
We invest with a central focus on ESG considerations
Our goal is to generate strong and consistent returns through investments supporting inclusive social and economic developments and sustainable environmental and business practices. We look to include themes such as renewable energy, education, social housing, sustainable waste management and renewable material production.

We uphold our duty of care on ESG investing as stewards of capital
We're passionate about delivering on the portfolios' investment objectives while reflecting our responsible investment values. As stewards of capital we believe we have a duty of care in allocating investment. This is to encourage companies to continually improve or enhance their ESG-related work.

We take a forward-looking approach to investment selection using positive screening
We adopt a quantitative and qualitative approach to ESG and positive screening is key. We take into account policies and engagement efforts around ESG factors. We seek to invest in firms making a material effort to improve on these.

We encourage 'engagement' with both sustainability 'leaders' and 'improvers'
We prioritise investments where there's active engagement with firms on ESG issues and where fund managers value this approach. We give precedence to investments where there's a track record of positively engaging with firms to improve on ESG factors. Transparency on engagement is also key. Details such as disclosing voting preferences help hold fund managers to account on whether they're challenging investee firms enough.

We're committed to transparency on ESG and reflect this in our investment approach
In analysing potential investments, we expect fund managers to be as open and transparent with us as we are with our investors. We confirm what managers will and won't invest in. We also expect them to be open to challenge on any investment, especially those claiming to be sustainable. We screen out investments that don't comply with these requirements. We also regularly produce a full list of investments within each portfolio, to support informed investor decision making.



Our ESG Investment Process

We use quantitative and qualitative reference points to ensure investments comply with our policy.

ESG rating system

We developed our proprietary ESG rating system specifically for carrying out qualitative due diligence. It allows us to assess potential investments applying a common set of standards.
Using the system, we can identify investments that consistently score well, along with those that are continuously improving.
This process also provides an audit trail. It gives us a clear picture of an investment's evolving ESG approach, which we can analyse over time. In this way we can pinpoint investments that are ESG 'laggards' and those that are 'improvers'.

Independent data providers

To enhance our process, we also use Sustainalytics and Morningstar, providing us with external ESG data and research. We use this to assess ESG factors from independent sources. It also allows us to analyse revenue streams from different business activities that could affect a firm's ESG impact.

Ongoing monitoring and assessment

After we have added an investment to our Accredited List, we conduct ongoing monitoring and assessment. At least annually, we put each investment through an ESG process evaluation. Our aim is to confirm that it's being managed in line with the ESG principles and guidelines we identified. In this way, we can capture where mandates or management teams have changed and ensure there's still alignment with our policy.

We also regularly monitor each investment's underlying assets. If there are any changes to these holdings, which we believe contradict the manager's stated approach, we investigate further.

Our internal ESG committee also regularly reviews all investments in the portfolios to ensure compliance with the policy.

Initial quantitative screen to assess performance, volatility and risk metrics for each sector This results in each investment being scored and ranked. Investments that fall within the top quartile of scoring, for each Investment Association sector, move to the next stage.

Assessment of third-party ESG scoring data
We use independent ESG data sets from leading ratings agencies to filter out investments that do not meet our criteria. We use this data to identify investments that score particularly well on ESG factors.

Quantitative & qualitative assessment
We use a variety of factors to analyse the score an investment received at the previous stages and to gather information that cannot be measured numerically.

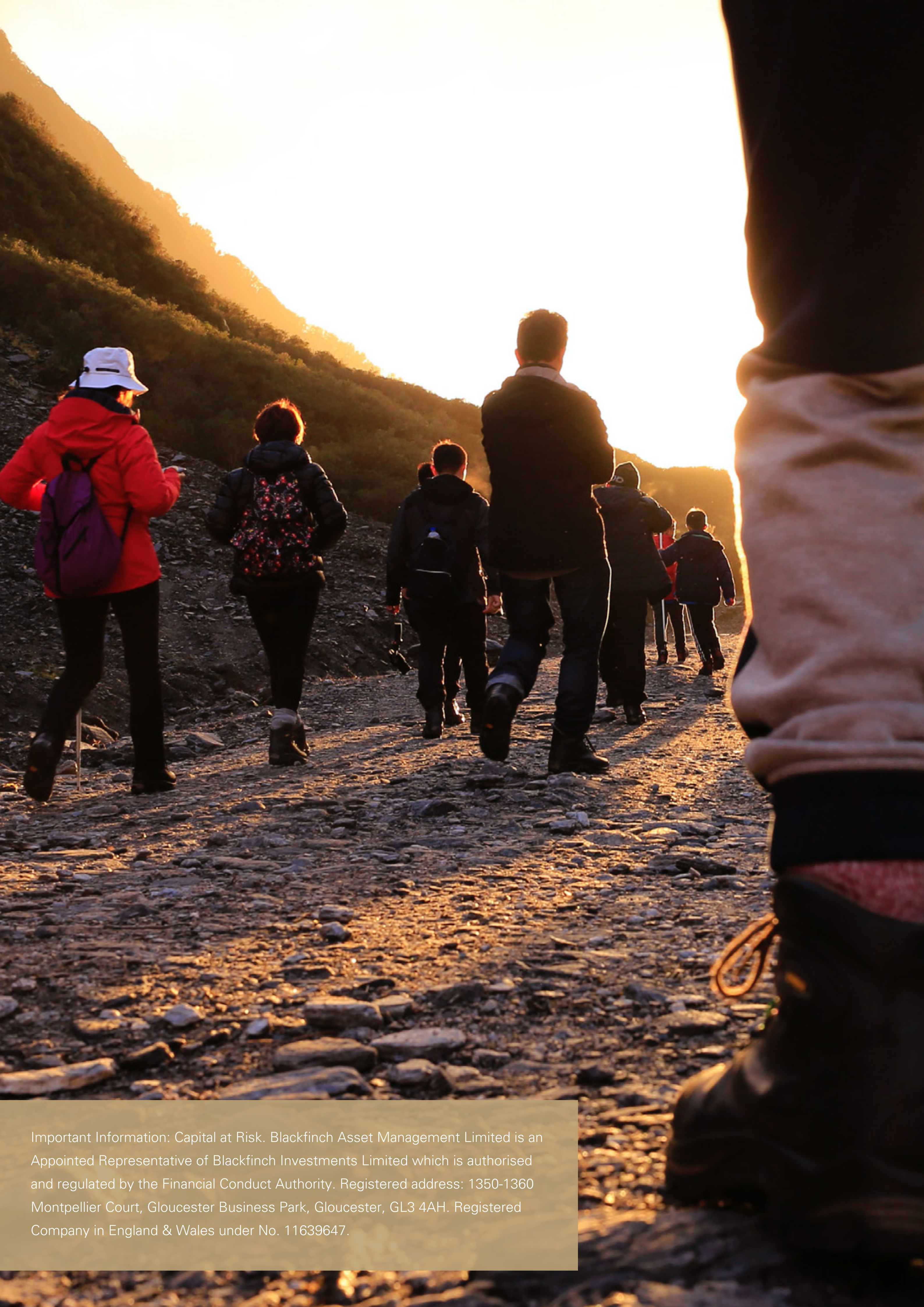
Blackfinch Asset Management ESG due diligence questionnaire (DDQ) issued, completed and reviewed This process helps to assess a fund's adherence to and alignment with our ESG policy.

Wider investment DDQ from fund house assessed We carry this out alongside additional background checks on the fund and associated parties.

Investment Committee reviews for approval

Investment added to Accredited List

Ongoing evaluation. We have regular dialogue with underlying managers and carry out an annual official review of each. This allows us to continue to scrutinise ESG standards and to ensure compliance with our policy.



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