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November 30th 2023

Performance Measurement Forum – ESG Reporting Use Cases

James Cardamone, VP ESG Product & Strategy

Agenda

- Trends and Predictions
- ESG Areas of Focus
- Reporting Use Cases
  - Composite Scoring & ESG Attribution
  - Alpha Generation
  - Regulatory Reporting
- Q&A

Trends & ESG Areas of Focus

Trends & Predictions

Trends

- ESG regulations and frameworks proliferating around the world; Pushback (political) in US

- Sustainable investing products (inflows) are growing although slower than prior years, concerns and accusations of greenwashing growing too

  – Europe Growing, US seeing Outflows (Names Rule?)

- Sustainable risk is now part of standard risk analysis

- Sustainable metrics are being intertwined into traditional 'alpha' drivers like valuations and growth

Predictions – 3-5 years from now…

- Most if not all publicly traded companies will disclose ESG metrics and taxonomy alignments

- "E" metrics and textual disclosures will be standardized globally as frameworks consolidate under ISSB (focus on Net Zero), with Social metrics in flight as the next wave of standards and taxonomy alignments

- Clearer definitions of sustainable 'classifications' for mutual funds, and AM will be highly sensitive to Greenwashing accusations

- Sustainable risk models will evolve to incorporate all of the environmental metrics, and there will be the beginnings of quantifying Social risks into the models

- **Sustainable products may revert back to being a niche as sustainable analysis may completely 'blend' into traditional value/growth products as standard drivers for those styles (from a data perspective)**

"While we understand that some in the industry are less willing to discuss ESG given the politicization of the topic, we continue to approach ESG from a risk-mitigation perspective core to our investment philosophy," Sosa said. "If grounded in materiality and investment-relevance, we believe the addition of ESG research can provide a more holistic view of potential long-term risks and costs, shifting the sightlines of investors a little further out on the horizon beyond short-term considerations."

ESG Workflows

RESEARCH

- Portfolio construction via idea generation (Screening) and exclusions
- Security selection
- Portfolio Monitoring
- Internal Research & Scores

ESG Regulatory Reporting

- Regulatory ESG Reporting
- Client & Investor ESG Reporting
- Internal ESG Reporting

Engagement Tracking

Analytics, Risk & Performance

- Sustainability Exposures
- Sustainability performance & ESG attribution
- Climate Transition & Physical Risk

Content & Data Management

- Disclosed or 'as-reported' ESG data
- 3rd Party ESG content
- Concord of Commercial and Client Content
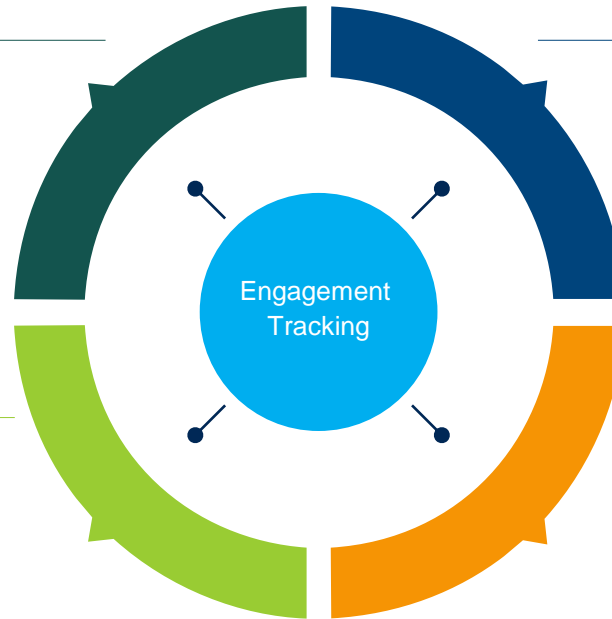
INFORMATION TO IDEA TO INVESTMENT DECISION

Reporting Use Cases – Composite Scoring & ESG Attribution

Custom ESG Score Creation

Build a proprietary blend of the factors and vendors that most closely align to your investment process.

Pre-Investment

- Compare different ESG vendor ratings uniquely
- Assess category level (GHG Emissions) or Pillar Level scores (Environment) across vendors
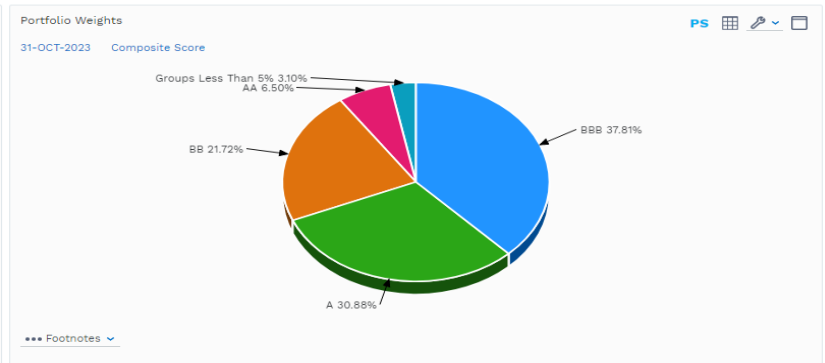- Use proprietary Composite Score for investment due diligence

Reporting Applications

- Layer Composite Score ranks into Sector & Country Reports
- Group Attribution Reports by Composite Score bins
- Optimize composite score (ex: minimize TE to Benchmark & improve composite score by 20%)

T: Security Detail

31-OCT-2023   Security Name

Security Name	Weight	TVL Ind % Rating Equivalent	Vendor 1 Overall Rating	Vendor 2 Rating Equiv	Composite Score Numeric	Composite Score
Total	**100.00**				--	--
Apple Inc.	5.09	B	BBB	A	4.00	BBB
Microsoft Corporation	4.52	B	AAA	A	3.00	A
Amazon.com, Inc.	2.33	B	BBB	BB	5.00	BB
NVIDIA Corporation	1.91	B	AAA	A	3.00	A
Alphabet Inc. Class A	1.40	B	BBB	BBB	5.00	BB
Meta Platforms Inc. Class A	1.26	B	CCC	B	6.00	B
Alphabet Inc. Class C	1.25	B	BBB	BBB	5.00	BB
Tesla, Inc.	1.09	CCC	A	BBB	5.00	BB
UnitedHealth Group Incorporated	0.94	B	AA	A	4.00	BBB
Eli Lilly and Company	0.85	B	A	BBB	4.00	BBB
Berkshire Hathaway Inc. Class B	0.84	BB	BB	BBB	5.00	BB
Exxon Mobil Corporation	0.81	B	BBB	CCC	6.00	B
JPMorgan Chase & Co.	0.77	CCC	A	BB	5.00	BB

••• Footnotes

Portfolio Weights

31-OCT-2023   Composite Score

Groups Less Than 5% 3.10%
AA 6.50%
BBB 37.81%
BB 21.72%
A 30.88%

••• Footnotes

Scores on 26 Material SASB Categories that Impact Company Value

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Product Design & Lifecycle Management
Business Model Resilience
Supply Chain Management
Materials Sourcing & Efficiency
Physical Impacts of Climate Change

Human Rights & Community Relations
Customer Privacy
Data Security
Access & Affordability
Product Quality & Safety
Customer Welfare
Selling Practices & Product Labeling

BUSINESS MODEL & INNOVATION

LEADERSHIP & GOVERNANCE

SOCIAL CAPITAL

ENVIRONMENT

HUMAN CAPITAL

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

SASB

Business Ethics
Competitive Behavior
Management of the Legal &
Regulatory Environment
Critical Incident Risk Management
Accident and Safety Management

GHG Emissions
Air Quality
Energy Management
Water & Wastewater Management
Waste & Hazardous Materials Management
Ecological Impacts

Employee Engagement, Diversity & Inclusion
Employee Health & Safety
Labor Practices

Composite Score Trends

- Using the MSCI World as our universe, we can see the Composite score (Scored 0-100) is improving over the last few years driven by the Env Pillar.

- This trend is primarily the result of the larger sector allocations to Tech, Finance, Healthcare, and Consumer Non-Cyclicals which have seen improvement driving this change.
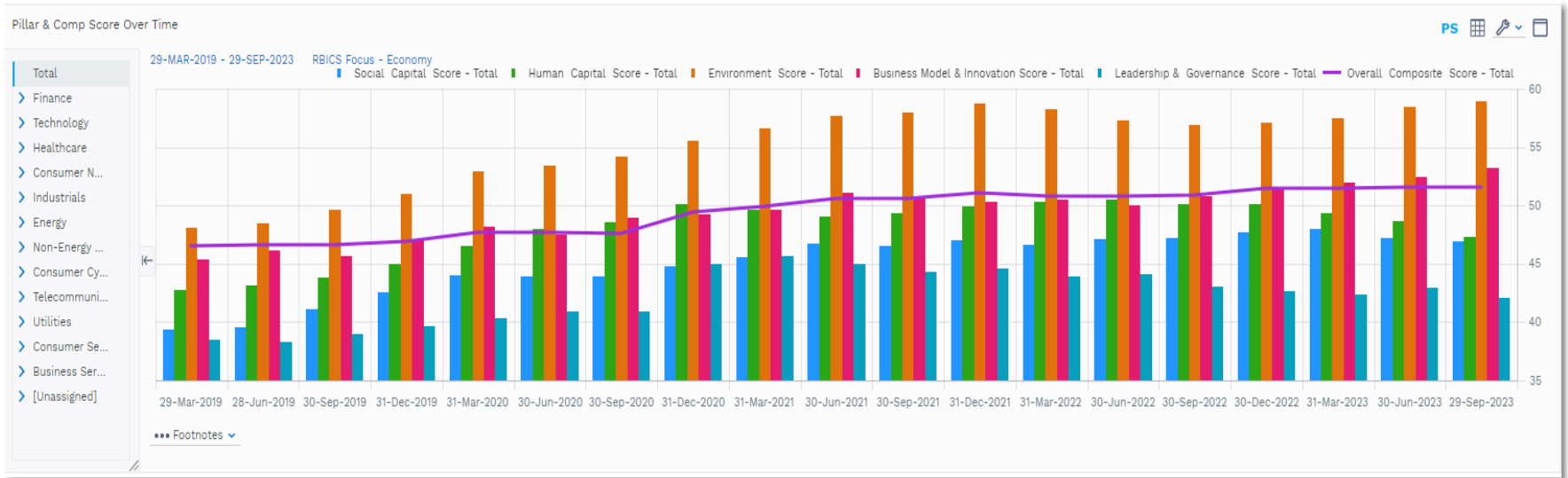
Environmental Category Improvements

- We can further unpack this by going from the Pillar level to the SASB categories for Env.
- Focusing on Environmental categories we can see improvement in GHG Emissions, Waste & Haz Materials, and Water & Wastewater Mgmt impacting the Env Pillar.
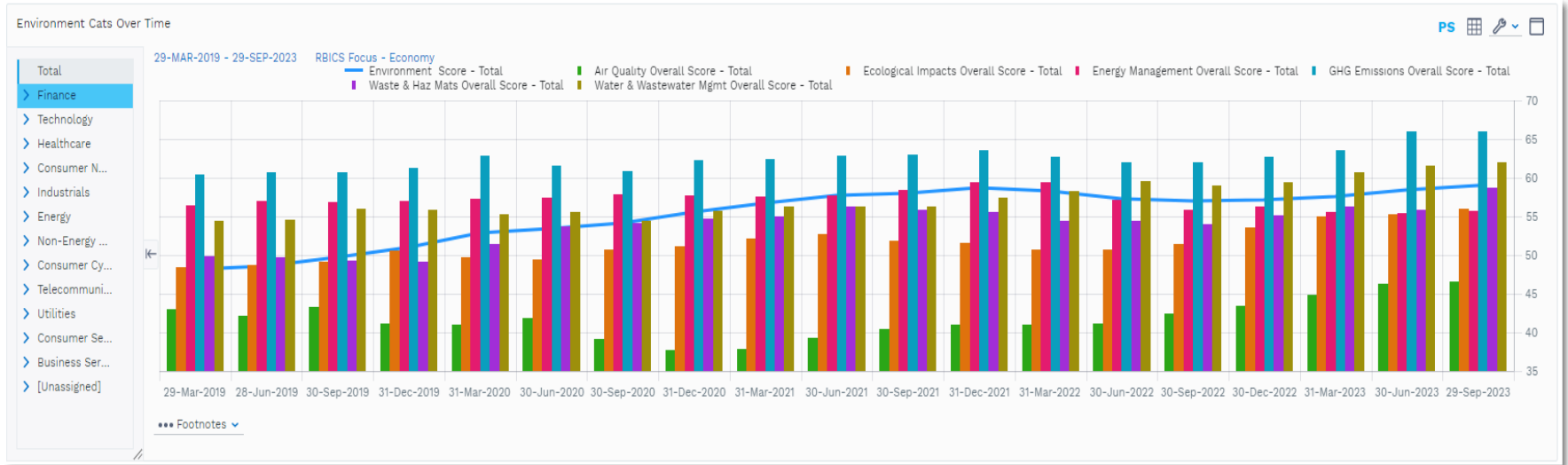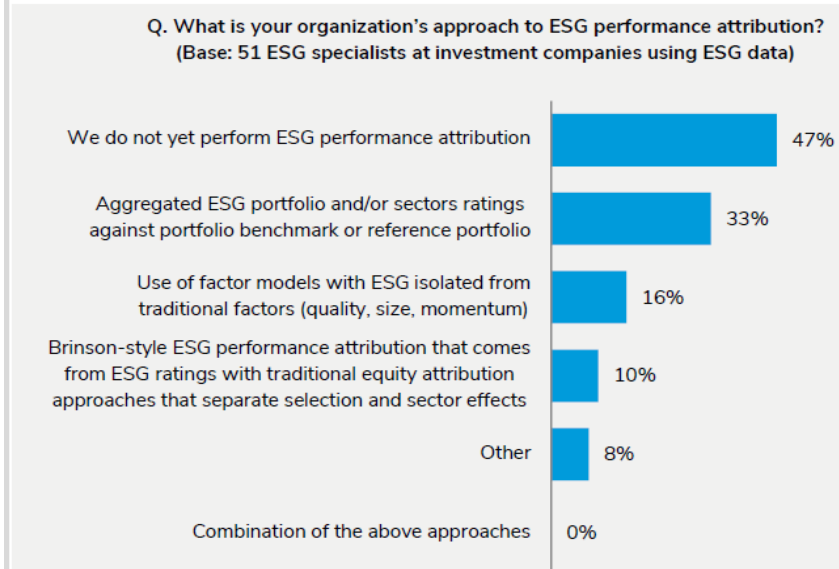
Composite Score Takeaways

- Composite scores can be a blend of 3rd party vendors and/or include proprietary scoring.

- They can help teams with investment due diligence in screening processes. Rather than take a single vendor approach the blend can be more comprehensive.

- Focusing on an Overall or Pillar scores can be effective to how a portfolio is tilted. This can help corroborate the message and execution of the ESG integration.

- Composite scores can be used for risk reduction or alpha generation.

  – Optimize a portfolio by minimizing tracking error and improving the overall score.

- Composite scoring requires deep understanding of the investment process and should take the best of what multiple vendors provide.

- Using Composite scoring might help uncover companies better suited for climate transition. For example, will a higher focus on better performing E scores indirectly benefit emissions and intensity?

ESG Attribution Considerations

Challenges/Considerations
- A few approaches but not one distinct consensus on a model
- Managers think about integrating ESG differently and use different sources
  - Composite Score vs single provider a step in the right direction?
- Are clients approaching ESG more from qualitative assessments vs quantitative?
- What should be explained? Financial outperformance due to an ESG Rating or Carbon Metric? Or how to break down Emissions/Intensity by traditional factors?

FIGURE 17: MANY FIRMS DO NOT PERFORM ESG PERFORMANCE ATTRIBUTION

Q. What is your organization's approach to ESG performance attribution? (Base: 51 ESG specialists at investment companies using ESG data)

- We do not yet perform ESG performance attribution — 47%
- Aggregated ESG portfolio and/or sectors ratings against portfolio benchmark or reference portfolio — 33%
- Use of factor models with ESG isolated from traditional factors (quality, size, momentum) — 16%
- Brinson-style ESG performance attribution that comes from ESG ratings with traditional equity attribution approaches that separate selection and sector effects — 10%
- Other — 8%
- Combination of the above approaches — 0%

Source: Aite-Novarica Group 2021 ESG survey, Q2 2021
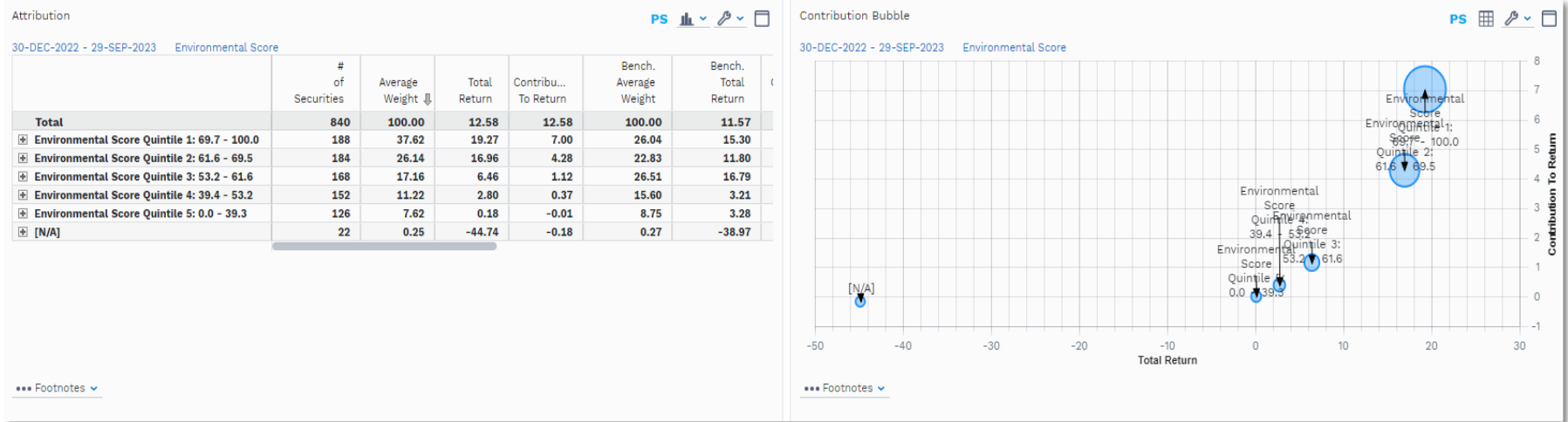
Brinson by Overall Composite Score

- Within attribution we're now comparing the MSCI World ESG Leaders vs. MSCI World and note the composite score buckets weights are weighted more heavily to the better scoring companies.

- For YTD 2023, we don't have a clear story that top ESG quintile performers are leading from a return perspective much like we did in 2021.

- To the right, the Allocation vs. Selection Bubble chart is mixed but the overweight in Quintile 2 really drives allocation and slight benefit from selection.

MSCI World ESG Leaders vs MSCI World

Attribution — 30-DEC-2022 - 29-SEP-2023   Overall Composite Score

	# of Securities	Average Weight	Total Return	Contribu... To Return	Bench. Average Weight	Bench. Total Return
Total	840	100.00	12.58	12.58	100.00	11.57
Overall Composite Score Quintile 1: 62.1 – 93.6	210	19.77	5.59	1.25	15.59	6.64
Overall Composite Score Quintile 2: 55.3 – 62.1	198	24.20	21.10	4.94	19.81	13.09
Overall Composite Score Quintile 3: 50.4 – 55.3	165	23.75	11.37	2.70	21.80	9.76
Overall Composite Score Quintile 4: 43.8 – 50.4	146	14.30	4.16	0.57	18.45	6.44
Overall Composite Score Quintile 5: 0.0 – 43.7	115	17.64	18.88	3.14	24.10	19.83
[N/A]	6	0.34	–5.23	–0.02	0.26	–1.54

Brinson by Environmental Score

- To understand whether the Env Pillar improvements impacted performance we ran an E score Attr.

- The ESG leaders appear aligned to the E component as noted by the almost 38% weight in quintile 1. Simultaneously this bucket's contribution accounts for over 50% of performance for the year.

- Quintiles 1 & 2 are really driving the performance when focusing on companies that score well on the Environment Pillar. Perhaps not a primary investment decision but helpful to consider.

Attribution

PS

30-DEC-2022 - 29-SEP-2023   Environmental Score

	# of Securities	Average Weight	Total Return	Contribu... To Return	Bench. Average Weight	Bench. Total Return
Total	**840**	**100.00**	**12.58**	**12.58**	**100.00**	**11.57**
⊞ **Environmental Score Quintile 1: 69.7 - 100.0**	188	37.62	19.27	7.00	26.04	15.30
⊞ **Environmental Score Quintile 2: 61.6 - 69.5**	184	26.14	16.96	4.28	22.83	11.80
⊞ **Environmental Score Quintile 3: 53.2 - 61.6**	168	17.16	6.46	1.12	26.51	16.79
⊞ **Environmental Score Quintile 4: 39.4 - 53.2**	152	11.22	2.80	0.37	15.60	3.21
⊞ **Environmental Score Quintile 5: 0.0 - 39.3**	126	7.62	0.18	-0.01	8.75	3.28
⊞ **[N/A]**	22	0.25	-44.74	-0.18	0.27	-38.97

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Contribution Bubble

PS

30-DEC-2022 - 29-SEP-2023   Environmental Score

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Brinson using Entelligent T Risk Quartiles

- Positive allocation and selection effects identified using Entelligent's transition risk score (T-Risk)
- Underweighting T-Risk Laggards helped achieve almost 160 bps in Allocation Effect over 6 years.

Amundi Index Solutions - Msci World Climate Transition CTB vs MSCI World

Attribution

30-DEC-2016 - 30-SEP-2022   T Risk Score - Carbon Adj

	Amundi Index Solutions - Msci W...			MSCI World			Variation			Attribution Analysis		
	Port. Avera... Weight	Port. Total Return	Port. Contr... To Re...	Bench. Avera... Weight	Bench. Total Return	Bench. Contr... To Re...	Avera... Weight Differ...	Total Return Differ...	Contr... To Re... Differ...	Alloc... Effect	Selectio... Interacti...	Total Effect
Total	**100.00**	**55.30**	**55.30**	**100.00**	**50.19**	**50.19**	**0.00**	**5.11**	**5.11**	**1.53**	**3.58**	**5.11**
1. Leader	41.48	123.48	29.22	37.62	110.44	24.91	3.86	13.04	4.31	0.75	4.83	5.58
2. Innovator	23.60	43.82	11.90	22.18	44.79	10.58	1.42	-0.97	1.32	-0.28	-0.33	-0.61
3. Follower	17.89	29.47	7.97	19.25	38.21	8.22	-1.36	-8.74	-0.25	-0.46	-1.21	-1.66
4. Laggard	14.13	13.20	4.22	18.88	20.13	5.05	-4.76	-6.93	-0.83	1.59	-0.03	1.56
[Cash]	0.62	6.54	0.05	0.00	0.00	0.00	0.62	6.54	0.05	-0.17	0.00	-0.17

Brinson Attribution Takeaways

- We've continued with the Composite scoring example to highlight how you can potentially take best of breed from 3rd party ratings to use in more meaningful attribution analysis.

- Focusing on Overall Score hits on broader ESG categories and can potentially show that performance can be achieved by focusing on better performing securities as calculated by a composite score. Mixed results in our example.

- Further granularity can also help if a portfolio has environmental characteristics or objectives as a focus as in an Article 8/9 fund. Using Environmental Pillar Scoring can potentially show how this helped or hurt relative to a benchmark.

- Our 3rd example focuses on climate analytics using Entelligent's T Risk Carbon Adjusted Quartile scores to show which companies are better positioned for transition. These scores have proven to show that better performers can actually outperform from a financial performance perspective and can be another approach for a Brinson attribution.

- **The point is to show several examples of how 3rd party data can be used with a traditional Brinson model. In these examples better "ESG" performance has aligned to better financial performance however this will not always be the case. It's more about finding the right approach to helping measure investment decisions.**

Carbon Emission Attribution

- The model below is 1) Point in time 2) Decomposes Carbon Emissions not financial performance

- This approach can help manage positioning and sector allocations, but it is more than likely used in conjunction with traditional attribution analysis

- Benefits can include the following:
  - Understanding overall levels of emissions at the total and sector levels.
  - Providing additional information on sector positioning.
  - A tool to pick better performing companies from an emissions perspective within higher emitting sectors.
  - Using trend analysis, understanding if companies are reducing emissions as they market net zero initiatives.

Emissions 2 Factor Attribution Analysis

RBICS Focus - Economy

	Weights			Emissions Exposure (tCO2e)			Emission Allocation (tCO2e)			Net Climate Performance (%)			
	Port. Weight	Bench. Weight	Active Weight	Port Scope 1+2	Bench Scope 1+2	Active Scope1+2	Allocation	Selection	Total Effect	Net Performance	Allocation Net	Selection Net	Total Effect Net
Total	100.00	100.00	--	586.49	1,272.76	686.28	462.21	224.07	686.28	53.92	36.32	17.60	53.92
⊞ Business Services	0.92	1.80	-0.88	0.85	7.81	6.96	-7.36	3.15	-4.20	0.55	-0.58	0.25	-0.33
⊞ Consumer Cyclicals	9.82	8.01	1.80	6.98	13.00	6.02	20.03	8.95	28.98	0.47	1.57	0.70	2.28
⊞ Consumer Non-Cyclicals	13.23	12.08	1.15	22.69	27.39	4.70	12.07	7.31	19.39	0.37	0.95	0.57	1.52
⊞ Consumer Services	0.71	2.18	-1.47	5.52	17.62	12.11	-6.80	0.25	-6.54	0.95	-0.53	0.02	-0.51
⊞ Energy	--	4.00	-4.00	--	229.14	229.14	178.20	--	178.20	18.00	14.00	--	14.00
⊞ Finance	20.82	19.00	1.82	4.36	7.52	3.17	22.43	3.89	26.32	0.25	1.76	0.31	2.07
⊞ Healthcare	19.74	14.38	5.35	13.54	12.28	-1.26	63.56	3.31	66.87	-0.10	4.99	0.26	5.25
⊞ Industrials	11.88	13.28	-1.40	44.67	79.67	35.00	-9.44	26.59	17.14	2.75	-0.74	2.09	1.35
⊞ Non-Energy Materials	9.04	10.50	-1.46	442.80	569.49	126.68	60.69	47.39	108.08	9.95	4.77	3.72	8.49
⊞ Technology	9.54	8.37	1.17	2.76	3.12	0.35	14.50	0.79	15.29	0.03	1.14	0.06	1.20
⊞ Telecommunications	2.29	2.68	-0.39	5.00	6.47	1.48	-4.02	0.54	-3.49	0.12	-0.32	0.04	-0.27
⊞ Utilities	1.98	3.71	-1.74	37.31	299.25	261.94	117.92	121.90	239.82	20.58	9.26	9.58	18.84
⊞ [Cash]	0.04	--	0.04	--	--	--	0.55	--	0.55	--	0.04	--	0.04

Reporting Use Cases – Alpha Generation

Using Climate Risk Analytics in Combination with Traditional Factors

Carbon Adj T-Risk Cumulative Weighted Active Return

Performance by Factor
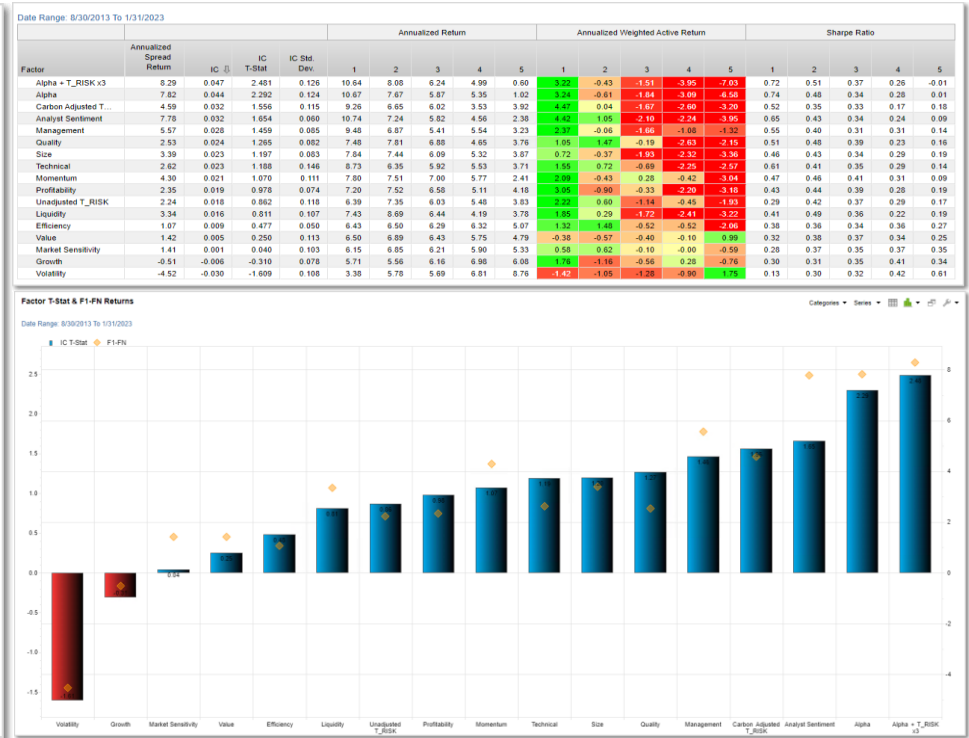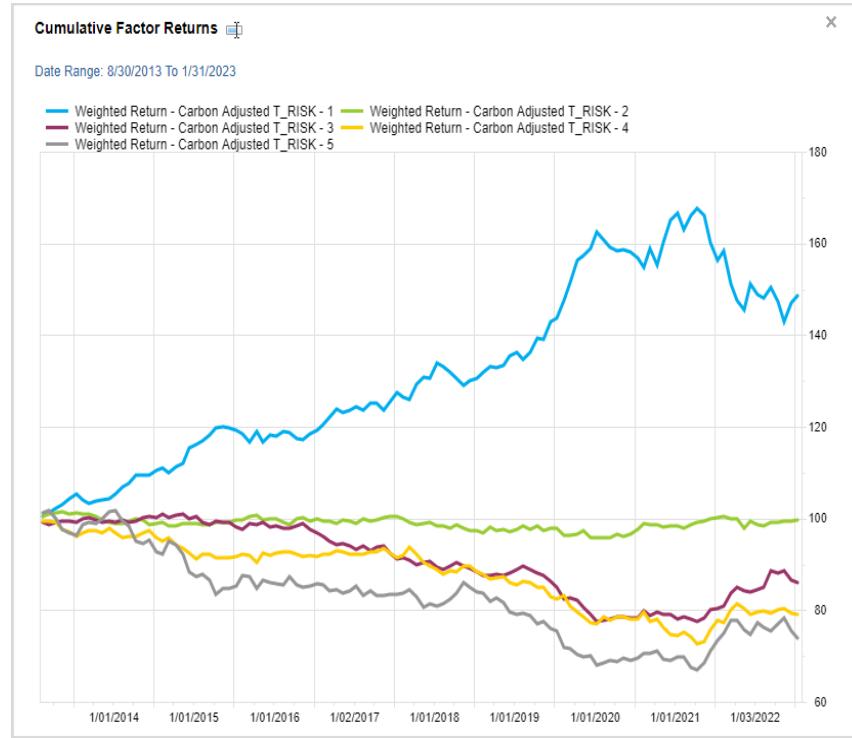
ESG Revenues as a source of Alpha?

- Empirical Research Partners leveraged FactSet's ESG Thematics data to test the performance of companies with revenue generated from positive ESG business activities.

- Takeaways
  - High ESG Revenue Share companies have low correlation to ESG fund ownership
  - Dirtiest sectors offer opportunities with companies that are transitioning and have exposure to ESG Related Revs
  - ESG Related Revs still very small (1%) of Total Market Revs
  - Companies with ESG Related Revs have outperformed large cap market (Exh. 26)
  - Companies with ESG Related Revs underperform multi factor ESG Models as fundamentals are critical (Exh. 32)

Exhibit 26: Large-Capitalization Stocks
Relative Returns to Stocks with Disclosed ESG Revenues
Monthly Data Compounded to Annual Periods
2013 Through Late-October 2023
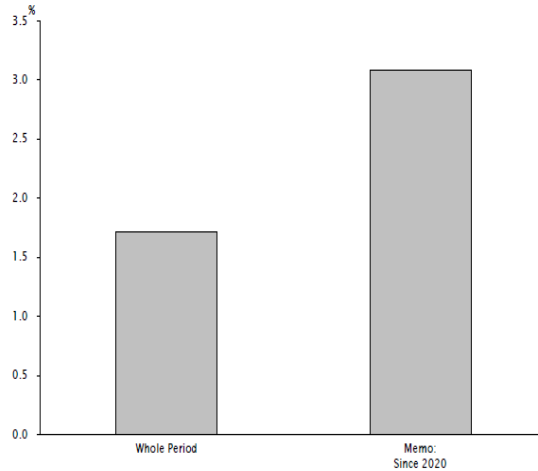
Source: FactSet Research Systems, Empirical Research Partners Analysis.

Exhibit 32: Large-Capitalization Stocks
Relative Returns to Select ESG Cohorts[1]
Monthly Data Compounded to Annual Periods
2013 Through Early-November 2023
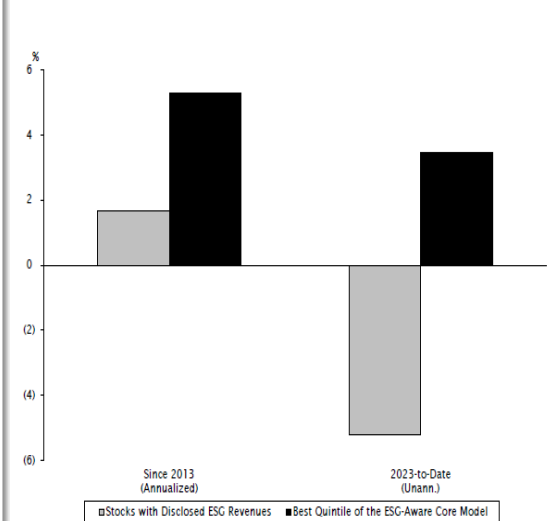
Source: FactSet Research Systems, Empirical Research Partners Analysis.

[1] Equally-weighted data.

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Reporting Use Cases – Regulatory Reporting

SFDR Entity and Product Sustainability Disclosures: Overview

Essentially all EU financial services clients require one or more categories of the below reports

Three basic report categories

Entity Level Sustainability Disclosure Statement:

- By June 30, 2023, all EU financial market participants must publish on their website an entity-level annual Principal Adverse Sustainability Indicators Statement

- "PASI Statement" template is Annex 1 of the SFDR regulatory technical standards

- Exception: firms with fewer than 500 employees have the option to publish a website explanation for non-compliance

Financial Product Sustainability Disclosures:

- Commencing January 1, 2023, manufacturers of Article 8 and 9 products must publish new templated sustainability disclosures for such products:

  - Pre-contractual = prospectus or equivalent document (Annexes 2 and 3, for Art 8/9, respectively)

  - Periodic = annual report or equivalent document (Annexes 4 and 5, for Art 8/9, respectively)

  - Website

Industry-standard ESG data exchange template:

- Financial product manufacturers, that seek broad product distribution, produce and disseminate the European ESG Template (EET), which contains product sustainability data in standardized format (up to 580 fields) that intermediaries require

- Without this data, intermediaries cannot advise on or sell such products

- EET went "live" Aug 2022; ongoing updates to template

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Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact[1] (year 2022)	Impact[2] (year 2021)	Explanation[3]	Actions taken, and actions planned and targets set for the next reference period
		CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Greenhouse gas emissions	1. Greenhouse gas emissions	Scope 1 GHG emissions	3,632.73	NA	NA	FactSet Asset Management (FAM) is committed to achieving net zero carbon emissions by 2040. The milestones include 50% reduction by 2030 and 100% by 2040, well before the 2050 target date. This will include 100% of client mandates by 2040.
		Scope 2 GHG emissions	817.27	NA	NA	FactSet Asset Management (FAM) is committed to achieving net zero carbon emissions by 2040. The milestones include 50% reduction by 2030 and 100% by 2040, well before the 2050 target date. This will include 100% of client mandates by 2040.
		Scope 3 GHG emissions	76,510.63	NA	NA	FactSet Asset Management (FAM) is committed to achieving net zero carbon emissions by 2040. The milestones include 50% reduction by 2030 and 100% by 2040, well before the 2050 target date. This will include 100% of client mandates by 2040.
		Total GHG Emissions	80,960.63	NA	NA	FactSet Asset Management (FAM) is committed to achieving net zero carbon emissions by 2040. The milestones include 50% reduction by 2030 and 100% by 2040, well before the 2050 target date. This will include 100% of client mandates by 2040.

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact (year 2022)	Impact (year 2021)
		Indicators applicable to investments in investee companies		
		CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Emissions	1. Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent per million EUR invested, expressed as a weighted average	1,120,685.70	NA
	2. Emissions of air pollutants	Air emissions: direct nitrogen oxides - N_2O	26,512.84	NA
		Air emissions: direct nitrogen oxides NOX (excluding N_2O)	22,289.12	NA
		Air emissions: heavy metals (encompassing cadmium, mercury and lead)	1.21	NA

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact (year 2022)	Impact (year 2021)
		INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
		Indicators applicable to investments in investee companies		
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	3.00	NA
	2. Rate of Accidents	Rate of accidents in investee companies expressed as a weighted average	12.79	NA
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	18,988.66	NA

Annex 1
PASI Statement

Quantitative "negative externality" exposures

Both Entity or Product Level

Qualitative Actions Taken to Share Engagement Practices, Exclusions, or Proxy Voting

Annexes 2 & 3
Pre-contractual Disclosures

Prospectus Sustainability Disclosures for

Article 8 (light green) &

Article 9 (dark green)

Financial Products

Primarily Narrative Disclosures

No hard analytics required as disclosures are *minimum sustainability targets*

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Environmental and / or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?

- ● ● ○ ☐ Yes
- ● ○ ○ ☑ No

☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☑ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 75% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☑ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ with a social objective

☐ It will make a minimum of sustainable investments with a social objective: ___%

☐ It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and/or social characteristics:

-Reduce exposure to transition and physical climate risks by excluding investments in:
(i) companies with any tie to fossil fuels; and (ii) companies in certain other energy intensive sectors.
- incorporating the Task Force on Climate-related Financial Disclosures recommendations

The Fund considers social characteristics by applying binding exclusions on: (i) companies whose core business activity involves weapons or civilian firearms; and (ii) that have any tie to controversial weapons.

The Fund will measure these areas using the following PAIs: 3. GHG Intensity of Investee Companies, 4. Exposure to companies active in the fossil fuel sector and 14. Exposure to controversial weapons

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● *What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*

Indicator of adverse effects on sustainability

3. GHG Intensity of investee companies

4. Exposure to companies active in the fossil fuel sector

14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)

1

Sustainable investment objective

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?

- ● ● ○ ☑ Yes
- ● ○ ○ ☐ No

☑ It will make a minimum of **sustainable investments with an environmental objective:** 75%

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☑ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ with a social objective

☐ It will make a minimum of **sustainable investments with a** NA%

☐ It promotes E/S characteristics, but will not make any sustainable investments

What is the sustainable investment objective of this financial product?

The Sustainable Objective for the fund is to reduce carbon emissions.
The fund invests in developed market securities focusing on economic activities that address climate transition contributing to the decarbonization objectives of the Paris Agreement.

The fund hopes to achieve net zero at the portfolio level by 2040 or earlier and to maintain a carbon footprint of less than 50% of the reference benchmark The MSCI World Index.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

● *What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?*

Indicator of adverse effects on sustainability

2. Carbon footprint

3. GHG Intensity of investee companies

4. Exposure to companies active in the fossil fuel sector

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Annexes 4 & 5
Periodic Disclosures

Annual Report Sustainability Disclosures for

Article 8 (light green) &

Article 9 (dark green)

Financial Products

Combine Proprietary Narrative Disclosures and Quantitative Sustainability Disclosures

Incorporate Multiple Data Sources

Use Proprietary Calculations

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Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● How did the sustainability indicators perform?

Indicator of adverse effects on sustainability	Fund	Broad Market Index
3. GHG Intensity of investee companies	663.26	886.92
4. Exposure to companies active in the fossil fuel sector	8.59%	5.38%
14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	3.31%	4.57%

Broad Market Index: MSCI World

● ...and compared to previous periods?

This is the first SFDR Periodic report and as such there is no comparison.

● What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The sustainable investments are aligned to the environmental and social characteristics of the Fund promoted here:

The focus is to reduce exposure to transition and physical climate risks; incorporate the Task Force on Climate-related Financial Disclosures recommendations; and to exclude companies that have ties to controversial weapons.

By monitoring the PAIs and reducing the intensity and exposures to fossil fuels and controversial weapons, the investments of the Fund contribute to these sustainable objectives.

● How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

Do no significant harm analysis is completed on the fund to ensure the investments of the Fund do not cause significant harm to the environmental and/or social investment sustainable objective.

Through a screening process FactSet Asset Management screens & restricts any investments that would cause significant harm to the objectives and which could result in divestment.

○ How were the indicators for adverse impacts on sustainability factors taken into account?

PAI indicators have been used in the fund creation process by assessing company business activities. Business involvement scores, 3rd party ESG ratings and internal research are all utilized to asses securities using minimum thresholds or exclusions on activities identified in relation to these indicators.

The universe construction factors in the majority of the mandatory indicators either creating max threshold percentages for share of invesment calculations (4,7), outright exclusions as in Human Rights & Controversial Weapons Indicators (10, 11,& 14) and then minimizing of Carbon Intensity (3). On the opportunistic side we can leverage the GHG Emission Indicators (1-6) for companies that are performing well and have reasonable emissions targets/green solutions for potential overweights.

○ Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The fund follows PAI Indicators 10 & 11 which are based on both company reported violations as well Truvalue Labs Spotlight Event detection for supplemental OECD & UNGC (United Nations Global Compact) violation checks where company reporting is sparse.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti- corruption and anti- bribery matters.

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● ...and compared to previous periods?

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● How did the sustainable investments not cause significant harm to any sustainable investment objective?

Do no significant harm analysis is completed on the fund to ensure the investments of the Fund do not cause significant harm to the sustainable investment objective.

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How did this financial product consider principal adverse impacts on sustainability factors?

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