Pacific Capital UCITS Funds plc

Sustainability Risk Policy

1 October 2023

This document sets out the Sustainability Risk Policy (the **"Policy**") of **Pacific Capital UCITS Funds plc** (the **"Company"**), in respect of the integration of sustainability risk into the investment decision-making process for each sub-fund ("**Fund**) of the Company.

1. **Introduction**

1.1 The EU Sustainable Finance Disclosure Regulation ("**SFDR**") requires financial market participants (which would include the Company as a self-managed UCITS) to publish on their website information about their policies on the integration of sustainability risks in their investment decision-making process.

1.2 "Sustainability risk" is defined in the SFDR as meaning environmental, social or governance event that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.

1.3 The Company in the course of its activities directly appoints and/or delegates day-to-day portfolio management activities to Pacific Capital Partners Limited ("**Pacific**") as investment manager. Pacific has, in turn, full authority to appoint and/or to delegate such portfolio management authority to such sub-investment managers as it may select in respect of a given Fund or Funds.

The table below sets out details of the Fund in respect of which Pacific acts as investment manager and the name of each sub-investment manager and the Funds in respect of which they have been appointed as at the date of this Policy. Pacific, together with the sub-investment managers listed below are together referred to as the "**Investment Managers**".

Investment Manager	**Fund**
Pacific Capital Partners Limited	Pacific Multi-Asset Accumulator – Conservative Fund Pacific Multi-Asset Accumulator – Core Fund Pacific Multi-Asset Accumulator – Plus Fund Pacific Multi-Asset Accumulator – Defensive Fund Pacific Multi-Asset Sustainable – Conservative Fund Pacific Multi-Asset Sustainable – Plus Fund Pacific Multi-Asset Sustainable – Defensive Fund Pacific Multi-Asset Sustainable – Balanced Fund Pacific G10 Macro Rates Pacific North American Opportunities dVAM Growth Active PCP dVAM Cautious Active PCP dVAM Balanced Active PCP
Guinness Asset Management Limited	dVAM Global Equity Income PCP
Threadneedle Asset Management Limited	dVAM Global Equity Focus Strategy PCP
North of South Capital LLP	Pacific North of South EM All Cap Equity Pacific North of South EM Equity Income Opportunities
Fulcrum Asset Management LLP	dVAM Diversified Liquid Arbitrage PCP
Coolabah Capital Institutional Investments Pty Ltd	Pacific Coolabah Global Active Credit

Details of the Investment Manager in respect of each Fund and their investment approach are set out in the prospectus of the Company (the "**Prospectus**") and the relevant supplement in respect of each Fund (each a "**Supplement**").

1.4 This document sets out the Company and the Investment Managers' approach in respect of the integration of sustainability risks in their investment decision-making process, as required by Article 3 SFDR. The Policy applies to all investment professionals of the Company and, where an Investment Manager integrates sustainability risk in their investment decisions, to all investment professionals of such Investment Managers, and applies in respect of all portfolio management services, investment advisory services, and UCITS management, in each case in relation to a product subject to Article 6, Article 8 or Article 9 of SFDR (together the "**Products**"), whether carried on by the Company directly or through appointment and/or delegation via the Investment Managers.

2. <u>Purpose of this policy</u>

2.1 The Company takes a diversified approach to integration of sustainability risk across the Investment Managers, recognising the importance of implementing responsible investment across asset classes and strategies where relevant. The Company and the Investment Managers' diversified range of alternative and long-only strategies seek to apply the best practices of sustainability risk integration and of responsible investment in the way that is most relevant to their fields of research – there is no 'one size fits all'.

2.2 The purpose of this policy is to outline the Company's recognition, commitment and support for the development and integration of sustainability risk and of responsible investment modalities across the Investment Managers. The diversified nature of the Company's Fund range means that no single Environmental, Social and Governance ('ESG') framework is universally applied. Accordingly, the Company expects the Investment Managers to apply the norms and best practices of responsible investment that are most appropriate for their strategy and asset class.

2.3 For the Company these norms and best practices include:

- **Sustainability risk**: integrating the consideration of sustainability risks into the investment decision-making processes of Investment Managers where appropriate;
- **Stewardship**: enhancing the value and interests of the Company clients' assets through voting and active engagement;
- **ESG factors**: considering and/or applying ESG criteria in the investment decision-making process in the manner described to investors in the relevant Supplement;
- **Education & activities**: participating and educating responsible investment within the investment community.

2.4 For the purposes of SFDR, the regime around sustainability risks is concerned with the risk that ESG events could impact on the value of the Funds. In other words, this policy covers "value" rather than "values", and does not take into account the perspective harm that our investment positions might do externally to sustainability factors. The impact of principal adverse impacts of our investment decisions on sustainability factors shall, in the event that the Company determines to conduct such an assessment in respect of any Fund in accordance with Article 4 of SFDR, be covered by separate Principal Adverse Risks Policies.

3. <u>Application of sustainability risks policy</u>

3.1 The Company has reviewed the sustainability risks which are potentially likely to cause a material negative impact on the value of a Fund, should those risks occur. While these risks will vary by strategy and by subgroup, they may include the following.

- <u>Environmental sustainability risks</u> may include climate change, carbon emissions, air pollution, water pollution, harm to biodiversity, deforestation, energy inefficiency, poor waste management practices, increased water scarcity, rising sea levels / coastal flooding, and wildfires / bushfires.
- <u>Social sustainability risks</u> may include human rights violations, human trafficking, modern slavery / forced labour, breaches of employee rights / labour rights, child labour, discrimination, restrictions on or abuse of the rights of consumers, restricted access to clean water, to a reliable food supply, and/or to a sanitary living environment, and infringements of rights of local communities / indigenous populations.

- Governance sustainability risks may include lack of diversity at Board or governing body level, inadequate external or internal audit, infringement or curtailment of rights of (minority) shareholders, bribery and corruption, lack of scrutiny of executive pay, poor safeguards on personal data / IT security (of employees and/or customers), discriminatory employment practices, health and safety concerns for the workforce, poor sustainability practices in the supply chain, workplace harassment, discrimination and bullying, restrictions on rights of collective bargaining or trade unions, inadequate protection for whistleblowers, and non-compliance with minimum wage or (where appropriate) living wage requirements.

3.2 In evaluating sustainability risk, the Company and the Investment Managers may take account of the "physical" or tangible risks of a sustainability event (for example, the impact of severe climate events leading to business disruption or losses for its investment positions). In addition, the Company and the Investment Managers may also take account of the "transition" risk, which focuses on the risk to investments as the world moves towards a more sustainable environmental and social model. Finally, the Company and the Investment Managers may, where appropriate, view sustainability risk as cross-cutting into other categories of risk (such as litigation risk or reputational risk).

3.3 The Company and the Investment Managers' approach to managing sustainability risk management is differentiated by various factors including (amongst other things) the time horizon for investments (for example, longer term investments driven by fundamental analysis vs. shorter term investments driven by systematic trading programmes); asset class (noting that single name equity, single name fixed income and real estate investments may potentially be more exposed to sustainability risks than other asset classes such as FX, rates or derivatives on broad based equity or fixed income indices); and the availability of adequate reliable data.

3.4 While the Company's and the Investment Managers that integrate sustainability risks in their investment decisions are provided with information on sustainability risks, and are encouraged to take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent them from making any investment. Instead, sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk. However, as a matter of our baseline processes and unless otherwise disclosed below, the Company and such Investment Managers do not apply any absolute risk limits or risk appetite thresholds which relate exclusively to sustainability risk as a separate category of risk.

3.5 As such, sustainability risks are currently integrated into the investment decisions of the Investment Managers in the manner set out in the table below. Further details in relation to the approach adopted for individual Funds are set out in the relevant Supplement in accordance with the requirements of Article 6(1) of SFDR.

Investment Manager	**Approach to the Integration of Sustainability Risks in investment decisions**
Pacific Capital Partners Limited	Save where otherwise disclosed in the relevant Supplement, Pacific does not operate a risk framework that is specifically tailored to sustainability risks. Rather relevant sustainability risks may be considered as part of the processes adopted by Pacific to monitor and manage general market risks. Accordingly, Pacific may integrate sustainability risks in its investment decision making process by having regard to material sustainability events that cause or are reasonably expected to cause broad disruption to economic growth, investor sentiment and asset flows in its ongoing assessment and monitoring of financial markets and the investment risk profile of the Fund. In the case of the Pacific Multi-Asset Sustainable – Conservative Fund, Pacific Multi-Asset Sustainable –Plus Fund, Pacific Multi-Asset Sustainable – Defensive Fund and Pacific Multi-Asset Sustainable – Balanced Fund (the "**Sustainable Funds**"), Pacific has regard to whether a target investment will meet the Sustainable Criteria (as set out in the relevant Supplement) in the interests of enhancing the longer term return expectations for that investment. In the context of the Sustainable Funds, Pacific's investment model is to target sustainable and ESG investment in the interests of achieving better long-term

	investment outcomes can be achieved through such investment, active engagement with target issuers and by exercising the equity ownership rights held on behalf of clients. Pacific may utilise proprietary and/or third-party tools and research to assess and monitor market risks that are relevant to the Funds it manages.
Guinness Asset Management Limited	The management of sustainability risk forms an important part of the due diligence process implemented by Guinness Asset Management Limited ("**Guinness AM**"). When assessing the sustainability risk associated with underlying investments, Guinness AM assesses the risk that the value of such underlying investments could be materially negatively impacted by environmental, social or governance factors. Using both quantitative and qualitative processes, sustainability risk is identified, monitored and managed by Guinness AM as follows. Prior to acquiring investments, Guinness AM uses ESG research from proprietary analysis and/or from third party data providers ("Data Providers") in order to assess the relevant investment against sustainability risks. This process incorporates applying both an exclusion policy (further details of which are available from Guinness AM) whereby potential investments are removed from the investment universe on the basis that they pose too great a risk on sustainability, ethical or other grounds or based on the view of Guinness AM (for example, cluster munitions) and assessment of sustainability risks and opportunities. During the life of the investment, sustainability risk is monitored through review of ESG factors to determine whether the level of sustainability risk has changed materially since the initial assessment has been conducted. The sustainability risk associated with a particular investment is taken into consideration when Guinness AM considers changing the Fund's exposure to the relevant investment, taking into account the best interests of the Shareholders.
Threadneedle Asset Management Limited	Threadneedle Asset Management Limited ("**Threadneedle**") considers a range of sustainability related risks in the investment decision-making process, to the extent that it is possible to do so, by incorporating an issuer's responsible investment practices and risks in the research available for the portfolio management team. This research is systematically incorporated into Threadneedle's ratings and tools, for use by the portfolio management team when considering investment objectives, risk, and the implications for ongoing monitoring of holdings. Responsible investment factors considered by Threadneedle's research analysts and personnel include assessment of exposure to – as well as management of – ESG risks including those relating to climate change, and instances of involvement in operational controversies. For example, when evaluating an issuer's overall exposure to climate risk, research personnel may consider the implications of an issuer's transition away from carbon-intensive activities and its ability to adapt accordingly, as well as the issuer's potential exposure to the physical risks of climate change, arising from its operations, supply chain or market risks. Issuer-level analysis focuses on material, industry relevant ESG factors, offering the Sub-Investment Manager insight into the quality of a business, as well as its leadership, focus and operating standards assessed through an ESG lens. The Sub-Investment Manager incorporates this and other external research into ESG ratings and reports via tools it has developed for that purpose and utilizes such

	information when making investment decisions. Further, as applicable, Threadneedle's research considers any flags around issuers' operations in accordance with international standards such as the UN Global Compact, the International Labour Organisation core labour standards and the UN Guiding Principles for Business and Human Rights. These factors may provide insight into the effectiveness of the risk management oversight of an issuer's sustainability practices and external impacts. Threadneedle may also seek to manage sustainability risks and impacts of an issuer through its stewardship efforts, and where appropriate, through its exercise of proxy voting rights. In accordance with applicable law, portfolio management and responsible investment analysts may determine to engage an issuer in dialogue regarding its sustainability risk management practices.
North of South Capital LLP	North of South Capital LLP ("**NoS**") believes that that sustainability issues are sources of long-term risk and return, therefore considering sustainability risk issues leads to better analyses and investment decisions. The execution of ownership rights may increase performance and lower risk over time. In addition, assets with well-managed sustainability factors should produce higher risk-adjusted returns over the long term. Integrating and assessing sustainability risk enhances the quality of investment processes as sustainability risks, when poorly managed, will create long-term material adverse impacts for society, the environment and undermine investment returns. Every active investment decision made by the Fund includes an assessment of relevant sustainability risks and opportunities and the results of this assessment process is documented. Sustainability risks that are relevant at both an operational level (e.g. pollution, human capital management) and at a strategic level (e.g. resource constraints, regulatory change) are considered in the investment analysis. Investments in companies that have a record of poor quality governance practices and systematic breaches of environmental and social standards that are expected to continue are not acceptable as they pose uncontrollable risks to long-term investment performance. Sustainability risk information and data is sourced from in house analysis, direct engagement and interaction with companies, and from third parties. Company research resulting in a low sustainability risk assessment (in combination with low assessment on other factors) can lead to a company or issuer being excluded from the Fund's investment universe. All else being equal, a lower sustainability assessment will reduce the intrinsic valuation of a security, thereby reducing the total return expectations for the Fund. Controversial business activities such as anti-personnel weapons and tobacco manufacturers are excluded from the Fund portfolios as they are deemed to carry excessive sustainability risk. NoS believes that sustainability risk issues impact investment value and that better long-term investment outcomes can be achieved through active engagement and by exercising the equity ownership rights held by the Fund. Certain ESG factors are built into the Investment Manager's standard proxy voting guidelines.
Fulcrum Asset Management LLP	Fulcrum Asset Management LLP ("**Fulcrum**") seeks to integrate responsible investment practices in its investment process when investing in companies and Underlying Funds by considering several environmental, social and governance indicators. This includes investing in companies that have good corporate sustainability practices in place, treat employees fairly and have good governance as well as considering the ESG policy and approach of Underlying Funds. The

	Fund's exposure to companies generating significant revenues from certain sectors will be limited which, as at the date of the Prospectus includes but is not limited to tobacco, controversial weapons and predatory lending. When investing in Underlying Funds, Fulcrum will seek to achieve diversity across the Fund in terms of location, gender diversity, experience, decision making and resources. Fulcrum will also assess certain carbon metrics when investing in companies and Underlying Funds as part of the investment decision-making process. Fulcrum may in its sole discretion may periodically update the indicators used in the investment decision-making process of the Fund. The indicators applied by the sub-Investment Manager are assessed in reliance on one or a number of third party ESG vendors. The Sub-Investment Manager, in its sole discretion, retains the right to disapply data and/or ratings provided by third party vendors where it deems the data and/or ratings to be inaccurate or inappropriate.
Coolabah Capital Institutional Investments Pty Ltd	Coolabah Capital Institutional Investments Pty Ltd **("CCII")** believes that sustainability risks can have potentially profound consequences for the performance of investments, including, most notably, downside risks but also upside mispricing potential in terms of the value of those assets. CCII believes that nuanced sustainability risk factors are often overlooked by the market and credit rating agencies when assessing the creditworthiness and valuations of fixed-income securities. The types of sustainability risk factors that CCII takes into account as part of its quantitative and qualitative investment process include, but are not limited to: · *Environmental:* weather related risks, pollution and environmental disruption. · *Social:* political stability in countries of operation, human rights record of company and countries of operation, diversity, including cyber-security, impact on local communities, health and safety, and associated reputational and brand risks. · *Governance:* board composition, risk management track-record, legal and compliance track record, history of prosecutions, management remuneration, and associated reputational and brand risks. Given its activist investment style, CCII will have regard to the Sustainability Risks outlined which may impact on the returns of the Fund and will seek to evaluating the status of different sustainability risk factors and their impact on the portfolio. CCII's ESG Policy (www.coolabahcapital.com/esg-policy) details the relevance of ESG considerations to its investment process and describes how active analysis of ESG factors is integrated into decision-making. CCII's ESG Policy is reviewed at least once a year by its Board, Risk & Compliance Committee.

4. **Governance and senior management responsibility**

4.1 The Company's Board of Directors are ultimately responsible for the firm's policies and procedures in respect of sustainability.

4.2 The Company's Board of Directors has approved this Policy and the related procedures.

5. **Monitoring**

5.1 As part of its ongoing monitoring of delegates in accordance with its Business Plan, the Company oversees the Investment Managers to ensure compliance with this Policy.

6. **Disclosure of this policy**

6.1 SFDR requires that the Company must publish on their website information about this Policy. the Company satisfies this requirement by disclosing this Policy at www.pacificam.co.uk and www.devere-am.com

7. **Date**

7.1 This policy applies with effect from 1 October 2023.