

# **SFDR Article 8 Sub-Funds – Website Disclosures**

## **Sections based on Articles 23 to 36 [SFDR](#)**

### **[Delegated Regulation \(EU\) 2022/1288](#)**

**Full name of the Article 8 sub-fund:** Old Mutual Global ESG Equity Fund (the “Fund”)

**Legal entity identifier:** 549300QIXCPRZRPSXE35

**Date of review:** 1 January 2023

## Summary

The Fund is categorised as an Article 8 financial product for the purposes of SFDR, meaning it promotes environmental and / or social characteristics. The Fund does not have as its objective sustainable investment.

The Fund promotes the following environmental and social characteristics:

- Improved ESG Profile Ratings of investee companies.
- Reduction in the Carbon Intensity of investee companies.
- The exclusion of companies with involvement in certain activities deemed harmful by the Money Manager.

In order to attain these characteristics, the Money Manager has set binding targets for the improvement of the environmental and social characteristics of the Fund, both on an absolute basis and relative to the Fund's reference benchmark.

The Money Manager utilizes a proprietary quantitative investment model to select its investments, which ensures these binding environmental and social targets are met.

It is expected that at all times at least 95% of the Fund's assets will be invested in equities or equity related securities, all of which will be subject to the binding elements of the Fund's investment strategy used to attain the environmental and social characteristics promoted by the Fund.

The Money Manager monitors on an ongoing basis, a number of objective indicators which are used to measure the achievement of the environmental and social characteristics.

Both internal and external data sources are used for the purpose of monitoring the environmental and social indicators. An inherent limitation to using external data sources is that it is possible that data could be inaccurate or not provided in a timely manner. The Money Manager believes that the likelihood of such limitations having a material impact on the Fund's ability to achieve its environmental or social characteristics is minimal. The Money Manager undertakes due diligence on any third-party data providers. The Money Manager does not use engagement as part of the Fund's ESG strategy.

No index has been designated as a reference benchmark to determine whether the Fund is aligned with the environmental or social characteristics that it promotes.

## **No sustainable investment objective**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

## Environmental or social characteristics of the financial product

The Fund promotes the following environmental and social characteristics:

1. Improved ESG Profile Ratings of investee companies.
2. Reduction in the Carbon Intensity of investee companies.
3. The exclusion of companies with involvement in certain activities deemed harmful by the Money Manager.

The Fund is actively managed with reference to the MSCI ACWI Index (USD) – Net Returns (the “**Index**”). The Index is a broad market index and is not used by the Fund to attain the environmental or social characteristics of the Fund.

## Investment strategy

In order to attain the environmental and social characteristics promoted by the Fund, the Money Manager utilizes its proprietary quantitative investment model (the “**Model**”) which excludes from investment:

- All companies in the bottom 80 per cent of the ESG Profile Ratings within the Fund’s investment universe.
- Primary Producers of Fossil Fuels.
- All companies with involvement in Excluded Activities.

The Model then ranks the remaining constituents in the Fund’s investment universe, considering financial factors, as well as the Fund’s Carbon Intensity targets. The evaluations of the Model are used as a direct input in the portfolio construction process, which selects investments with the aim of both ensuring that the Carbon Intensity reduction targets are met and that the Fund’s forecasted investment return is maximised, subject to a set of constraints (including, sector weightings, tracking error, number of holdings, portfolio turnover limits and liquidity).

The Fund has binding environmental and social targets which are measured using objective sustainability indicators (the indicators are defined and described in the section entitled ‘*Methodologies for environmental or social characteristics*’). The binding elements of the investment strategy used to achieve these targets are set out below:

### Improved ESG Profile Ratings of investee companies:

The Fund excludes from investment all companies that score in the bottom 80 per cent of the ESG Profile Ratings within the investment universe.

### Carbon Intensity Reduction Targets:

The Fund aims to ensure that it is Paris-Aligned at all times (meaning it will have at least a 50% lower Carbon Intensity relative to the Index and a year-on-year reduction Carbon Intensity of 7% or greater).

The Fund excludes from investment all Primary Producers of Fossil Fuels.

### Excluded Activities:

The Fund excludes from investment all companies with involvement in Excluded Activities.

### Continuous monitoring:

The composition of the Fund will be reviewed regularly, including to ensure the ESG characteristics it promotes are continually attained, and will be updated when appropriate and in accordance with its investment objective.

If a security held by the Fund drops into the bottom 80 per cent of the ESG Profile Ratings of the investment universe (and into the second quintile) the Money Manager may decide to not immediately sell the relevant security. This would be on the basis that the Money Manager might consider that the rating change may only be transitory, and so an immediate divestment could introduce unnecessary portfolio turnover. The Money Manager will closely monitor companies that fall within this category, and if ratings do not improve or if they deteriorate further, they will be sold and replaced by top quintile ESG rated securities.

### **Good Governance**



The companies in which the Fund invests, will follow good governance practices. An assessment of the good governance practices of investee companies forms an integral part of the Money Manager's allocation of its ESG Profile Rating. Each company's governance ratings and practices are continually monitored by the Money Manager to ensure that the Fund only holds companies that follow good governance practices.

## Proportion of investments

It is expected that at all times at least 95% of the Fund's assets will be invested in equities or equity related securities, all of which will be subject to the binding elements of the Fund's investment strategy used to attain the environmental and social characteristics promoted by the Fund. The Fund does not commit to investing in sustainable investments or investments aligned with the Taxonomy Regulation.

The Fund does not use derivatives for the purpose of attaining the environmental or social characteristics it promotes.

The remainder of the Fund's assets and their purposes are detailed below, and further in the Prospectus.

This portion of the Fund's investments may include:

The Fund may hold cash and invest in cash equivalents and short-term securities for liquidity management purposes.

Forward contracts may be used to hedge against market risk or to gain exposure (i.e. for investment purposes) to an increase in the value of an equity, equity related security or currency.

Forward foreign exchange transactions may be used to reduce the risk of adverse market changes in exchange rates or to increase exposure to foreign currencies or to shift exposure to foreign currency fluctuations from one country to another.

Futures contracts will be used to hedge against market risk or gain exposure to an increase in the value of an underlying market, equity or equity related securities.

Caps and floors will be used to hedge against interest rate movements exceeding given minimum or maximum levels.

No minimum environmental or social safeguards will be in place in relation to such holdings.

## **Monitoring of environmental or social characteristics**

The Money Manager has internal control mechanisms in place to accommodate ongoing and frequent monitoring of the Fund's sustainability indicators. Monitoring will take place on at least a monthly basis. The generation of these indicators has been automated and they are housed alongside the Model in the Money Manager's inhouse investment systems.

To facilitate the external control mechanism and external monitoring, the Money Manager will report the indicators to the Principal Money Manager of the UCITS on at least a quarterly basis or more frequently as and when requested.



## Methodologies for environmental or social characteristics

### **Characteristic: Improved ESG Profile Ratings of investee companies**

*Indicator: The percentage of Fund investments that score in the bottom 80 per cent of the ESG Profile Ratings within the Fund's investment universe.*

The Money Manager allocates a proprietary ESG Profile Rating to each company in the investment universe ("ESG Profile Rating"), which it generates by taking into account:

(i) the long-term ESG risk profile of a company, which is derived from analysing a company's risks and opportunities arising from ESG factors that may not be captured by conventional financial analysis of a company (such as overall ESG ratings, sentiment and accounting and governance risk, as further described below) ("ESG Factors"); and (ii) more short-term ESG news flows on controversies and accounting risks.

The ESG Factors used by the Money Manager to determine the long-term ESG risk profile of each company are as follows:

"Overall ESG rating" measures a company's exposure to and management of ESG risks and opportunities, such as carbon emissions, raw material sourcing, labour management, and health and safety.

"Sentiment" captures fast moving sentiment risk. It measures a company's involvement in ESG-related controversies relating to topics such as biodiversity and land use, toxic emissions and waste, energy and climate change, human rights, civil liberties, discrimination and workforce diversity, bribery and fraud.

"Accounting and governance risk" assesses the risks associated with a company's financial disclosures, such as, concerns related to fundamental ratios.

Once the ESG Factors have been considered and an ESG Profile Rating assigned, the Money Manager can determine the overall ESG profile of the company and its suitability for investment. Companies with a high ESG Profile Rating reflect the fact that these companies are focused on managing their long term business risks. Conversely, companies with a low ESG Profile Rating reflect increased risks.

### **Characteristic: Reduction in the Carbon Intensity of investee companies**

*Indicator: The Carbon Intensity of the Fund as a percentage of the Carbon Intensity of the Index.*

*Indicator: The Carbon Intensity of the Fund as a percentage of the Carbon Intensity of the Fund over the previous year.*

*Indicator: Paris-Aligned Status.*

*Indicator: No Fund holdings will be Primary Producers of Fossil Fuels.*

"Carbon Intensity" means Carbon Emissions in metric tons of carbon dioxide equivalent (CO<sub>2</sub>-e), divided by millions of company revenue (USD).

"Carbon Emissions" means:

Scope 1 Emissions: direct emissions of a company from owned and controlled sources.

Scope 2 Emissions: indirect emissions of a company from the generation of purchased energy.

"Paris-Aligned" means aligned with the decarbonization ambition of the Paris Agreement. In the case of the Fund, this means: (i) at least a 50 per cent lower Carbon Intensity relative to the Index; and (ii) a year-on-year reduction Carbon Intensity of 7% or greater.

“Paris Agreement” means the international treaty adopted by the parties to the United Nations Framework Convention on Climate Change in December 2015, with the primary goal of limiting global warming to 1.5 degrees Celsius.

“Primary Producers of Fossil Fuels” means companies owning Fossil Fuel Reserves regardless of their industries.

“Fossil Fuel Reserves” means in the case of coal, both proven and probable reserves, and in the case of oil and natural gas, proven reserves.

### **Characteristic: Exclusions**

*Indicator: No Fund holdings with involvement in Excluded Activities.*

Excluded Activities means:

#### Alcohol

All companies deriving 10% or more revenue from the production of alcohol-related products.

#### Gambling

All companies deriving 10% or more revenue from ownership or operation of gambling-related business activities.

#### Tobacco

All companies deriving 5% or more revenue from the production of tobacco-related products.

All companies deriving 15% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products.

#### Nuclear Power

All companies deriving 10% or more aggregate revenue from nuclear power activities.

#### Conventional Weapons

All companies deriving 10% or more revenue from the production of conventional weapons and components.

#### Nuclear Weapons

All companies involved in manufacturing of nuclear weapon components or nuclear weapon systems.

#### Controversial Weapons

All companies involved in controversial weapons such as cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons.

#### Civilian Firearms

All companies deriving 5% or more revenue from the production of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets

All companies deriving 15% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

## Website section ‘Data sources and processing’

The following data sources are used to attain the environmental or social characteristics promoted by the Fund:

- Inhouse research by the Responsible Investment Team.
- Proprietary ESG Model (using MSCI data and blending the metrics in a proprietary manner).
- MSCI S&P Global (Trucost).

The Money Manager has a dedicated Responsible Investment Team which is responsible for, among other things, ensuring that the best quality and most relevant data to attain each of the environmental or social characteristics of the Fund is sourced from leading data providers.

MSCI provides data to the Money Manager in electronic format. The Index data is housed in the Money Manager's internal risk and portfolio management system, where it is directly used in portfolio management and portfolio construction.

None of the data used by the Money Manager is estimated.

## **Limitations to methodologies and data**

The limitations in the methodologies described above for the attainment of the environmental or social characteristics of the Fund are the data vendor's ability to deliver data accurately and in a timely manner.

Through rigorous data verification by the Money Manager, the likelihood of any such limitations having a material impact on the Fund's ability to achieve its environmental or social characteristics is minimal.

In addition, the Money Manager has been undertaking quantitative research on ESG data since 2011. Since this time, the Money Manager has examined ESG data from various providers and has developed a robust understanding of the strengths and weaknesses of the various offerings available. Should any limitations arise, the Money Manager will consider alternative data delivery mechanisms.



## **Due diligence**

The Fund will be subject to quarterly investment reviews by the Money Manager's Investment Committee and by the Principal Money Manager's Investment Working Group.



## **Engagement policies**

The Money Manager does not use engagement as part of the Fund's ESG strategy.



## **Designated reference benchmark**

No index has been designated as a reference benchmark to determine whether the Fund is aligned with the environmental or social characteristics that it promotes.