EU Sustainable Finance Regulation Directive Article 3 and 4 disclosures

This document has been prepared by River and Mercantile Asset Management LLP ("RAMAM") to meet the disclosure requirements set out in Articles 3 and 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (the Sustainable Finance Disclosure Regulation or "SFDR").

Integration of sustainability risks in the investment process

RAMAM applies the SFDR definition of a sustainability risk as: *"An environmental, social or governance event that, if it occurs, could cause an actual or a potential material negative impact, or entire loss, on the value of investments made by the funds"***.**

Funds for which RAMAM has been appointed investment manager are exposed to sustainability risks. RAMAM has a structured approach that integrates sustainability risks within its investment processes, decision making and ongoing risk monitoring.

In respect of funds that do not fall within scope of Article 8 or Article 9 of SFDR, sustainability risks are considered to the extent that they represent potential or actual material risks or opportunities to maximise long-term risk-adjusted returns. In respect of funds falling within scope of Article 8 or Article 9 of SFDR, the extent to which sustainability risks are integrated in the investment process is described in detail in the applicable funds' pre-contractual disclosures.

In both cases, consideration of sustainability risks forms part of RAMAM's proprietary 'Sustainable Potential, Valuation and Timing' ("S-PVT") investment philosophy and process, for which further information can be found here.

Sustainability risks are identified and assessed during the fundamental analysis stage of potential investments as part of the S-PVT process. Companies are assigned an internal rating as follows:

- **S1: a sustainable leader in its field and/or a clear beneficiary of sustainability trends.**
- **S2: solid sustainability credentials and no clear impediment to value creation or share price performance.**
- **S3: sustainability improvement required, but evidence this has started and/or engagement potential is identified by the Investment Manager.**
- **S4: sustainability is a clear barrier to value creation, no evidence of improvement and/or low likelihood of engagement success (including failed attempts by RAMAM).**

Individual funds will adopt differing guidelines or limits with regard to investment in companies within each S-PVT rating. Where such limits or binding constraints exist, these are explained as part of the relevant fund's pre-contractual disclosures.

Sustainability risks are monitored and managed on an ongoing basis by portfolio managers. Further detail is in the RAMAM ESG Policy available here.

Consideration of principal adverse impacts of investment decisions on sustainability factors

Adverse impacts are the negative environmental and social effects of an economic activity. The adverse impacts of sustainability factors are not considered in respect of all investment decisions. In view of RAMAM's size and the general access to relevant and sufficient data for determining and weighting with adequate accuracy the negative sustainability effects across all funds, RAMAM has elected to utilise the opt-out exemption provided under SFDR Article 4 for companies of less than 500 staff.

However, RAMAM does consider adverse impacts in respect of funds falling within scope of Article 8 or Article 9 of SFDR, as described in the relevant funds' pre-contractual disclosures.

RAMAM will monitor industry progress and regulatory guidance closely and shall update this position in time as appropriate.

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