River and Mercantile Global Sustainable Opportunities Fund (the "Fund") - SFDR Article 10 disclosures

The purpose of this disclosure is to meet the Fund's obligations as regards website disclosure for products coming within Article 8 of SFDR. This disclosure will be kept under review and updated as necessary to meet the final requirements of the Regulatory Technical Standards for SFDR. This disclosure does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction. Any subscription for shares in the Fund will be on the basis of and prospective investors should read the Fund's prospectus, supplement and KIID, the instrument of incorporation of the River and Mercantile Investments ICAV and the Application Form for the Fund.

1. Summary

The investment objective of the Fund is to achieve capital growth over a rolling 5 year period, after the deduction of all fees. At least 80% of the Fund's Net Asset Value ("NAV") will be invested directly or indirectly in shares of companies around the world (including up to 20% of NAV in emerging markets).

The Fund's investment policy seeks to promote environmental and/or social characteristics primarily through the full integration of sustainability risks and opportunities within the Investment Manager's Sustainable Potential, Valuation and Timing ("S-PVT") investment philosophy and process. Instead of relying on backward-looking assessments of sustainability, the Investment Manager aims to identify companies that are on a trajectory of sustainability improvement that it believes creates the biggest real-world positive impact, and which may not be fully recognised by the market and reflected in share prices.

The Fund has the following sustainable characteristics:

(i) invests in companies that contribute towards United Nations Sustainable Development Goals and improved ESG practices within the global economy;
(ii) reduces its environmental footprint over time; and
(iii) applies exclusions that limit the investment universe of the Fund.

The Fund aims to invest at least 25% of its NAV in companies that meet the criteria of sustainable investments under SFDR. The Fund's sustainable investments must contribute to at least one, and not significantly harm any, of the following sustainable investment objectives:

1. The reduction of greenhouse gas emissions in line with the Paris Agreement and IPCC reports or other similar bodies and agreements which may supersede them, with the intention of mitigating climate change.

2. The transition to a circular economy.

3. Reducing gender and race inequality, creating meaningful work and employment, and diversity.

In order to assess alignment with these objectives, the Fund will focus on the absolute improvement of each of these parameters, rather than selecting companies which are necessarily already leaders in them. In this sense, the Fund is focused on positive change.

The Investment Manager has developed the S-PVT framework to ensure its assessment is made in a structured, robust and diligent manner, based on a variety of data and supported by the use of the principal adverse indicators mandated in SFDR, with consideration to third party ratings or evaluations where appropriate.

The primary sustainability indicators used to measure the attainment of the environmental or social characteristics promoted by the Fund are the four-tier rating system used within the S-PVT process and proprietary fundamental research developed and undertaken by the Investment Manager. In addition, the Fund will assess the attainment of its environmental characteristics via the carbon intensity profile of its investee companies (defined as tonnes of GHG CO_2 emissions equivalent per US dollar of revenue) as well as the companies which are facilitating the reduction of greenhouse gas emissions in line with the Paris Agreement and IPCC reports, or other similar bodies and agreements which may supersede them, with the intention of mitigating the impact of climate change.

Other quantitative sustainability indicators the Fund will use are those contained in Table 1 of Annex 1 of the Draft Regulatory Technical Standards (in the form of a Commission Delegated Regulation) as adopted by the European Commission on 6 April 2022 ("Draft RTS"). The Fund will also monitor: (i) the percentage of women in senior management roles; (ii) the percentage of investee company board members that are independent; (iii) measures of energy, water and waste intensity.

The Fund will invest no more than 20% in companies which the Investment Manager assesses as meeting its criteria for investment, but considers as 'higher ESG risk'. This includes but is not limited to companies: (i) in either the energy, materials and/or utilities sector which have a Carbon Disclosure Project climate change rating of D or below (where available) and/ or (ii) flagged for alleged UN Global Compact failures.

River and Mercantile Group has been accepted by the Financial Reporting Council as a signatory to the UK stewardship code 2020 and is a signatory to the UNPRI. As a signatory to these two codes, the good governance practices of investee companies are assessed prior to making an investment and annually thereafter. The Investment Manager is committed to the principle of active stewardship – monitoring and influencing the companies in which its portfolios invest, through voting and engagement, and challenging companies that fall short of its standards for managing ESG-related risks.

2. No sustainable investment objective

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

The Fund does commit to making sustainable investments, comprising at least 25% of the Fund's NAV. The Fund's investments are not classed as sustainable if they significantly harm any of environmental or social objectives for the Fund's sustainable investments, which are as follows:

1. The reduction of greenhouse gas emissions in line with the Paris Agreement and IPCC reports or other similar bodies and agreements which may supersede them, with the intention of mitigating climate change.

2. The transition to a circular economy.

3. Reducing gender and race inequality, creating meaningful work and employment, and diversity.

The Investment Manager's investment process uses the following measures to determine if there is significant harm:

a) All equity investments of the Fund will be selected using the Investment Manager's proprietary S-PVT investment process. The S-PVT process assigns a sustainability rating to investee companies using a four-point scale from S1 to S4. Companies scoring the lowest rating of S4 will be excluded from the investment universe or divested at the next available opportunity, subject to market and liquidity constraints, after classification to S4 rating.

b) Assessment of investee companies against the 'principal adverse impacts' set out in Table 1 of Annex 1 of the Draft RTS. Other indicators monitored as part of the investment process are (i) the percentage of women in senior management roles; (ii) the percentage of investee company board members that are independent; and (iii) measures of energy, water and waste intensity. Where the impacts are judged to be significantly harmful either because over time they are moving in a less sustainable direction, or because they are not becoming sustainable sufficiently quickly (especially with regard to carbon intensity metrics), or because the absolute level of the metric is considered by the Investment Manager to be significantly harmful (with due consideration to their end markets, so that companies are not judged to be significantly harmful simply owing to the nature of their business activity), the company is not classed as sustainable.

c) The Fund's sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. As a signatory to the UN

Principles for Responsible Investment (the UNPRI), good governance is critical for the Investment Manager's investee companies. The Investment Manager operates a pass/ fail principle and any company failing the test of alignment with these standards is not considered sustainable.

d) The Fund may not invest in companies with certain business activities that account for more than the below specified threshold of the relevant company's revenue:

- Controversial weapons (completely excluded).
- Mining or extraction of thermal coal, oil sands or tar sands (limit of 10% of revenue unless there is a plan to reduce the thermal coal, oil sands or tar sands contribution below the 10% revenue threshold within three years, that the Investment Manager assesses to be deliverable. In such circumstances the revenue threshold at the time of investment is 50%).
- Thermal coal power generation (limit of 10% of revenue unless there is a plan to move to renewable or low carbon sources, thus reducing the thermal coal contribution below the 10% revenue threshold within three years, that the Investment Manager assesses to be deliverable. In such circumstances the revenue threshold at the time of investment is 50%).
- Tobacco and tobacco products, manufacture and distribution (limit of 10% of revenue).

e) The Fund may not invest in a company which is listed as a Verified UN Global Compact failure or known to be engaged in modern slavery.

3. Environmental or social characteristics of the financial product

The Fund has the following sustainable characteristics:

(i) Invests in companies that contribute to global ESG enhancement and towards United Nations Sustainable Development Goals.
(ii) Reduces its environmental footprint over time.
(iii) Applies exclusions that limit the investment universe of the of the Fund.

A key sustainability focus of the Fund is the reduction of the carbon intensity of investee companies (defined as tonnes of GHG CO^2 emissions equivalent per US dollar of revenue) during the holding period.

4. Investment strategy

The Investment Manager will actively select shares in companies to create a portfolio it believes will achieve the Fund's investment objective while promoting, among other characteristics, environmental and/or social characteristics.

The Investment Manager seeks to achieve the Fund's investment objective by selecting shares for the Fund that fit the S-PVT investment philosophy. It looks for companies that are considered to have attractive "Potential", "Valuation" and "Timing". Sustainability is integrated into the investment philosophy and process by assessing each investment target under the pillars of "People", "Innovation" and "Environment" during the fundamental analysis stage and assigning a sustainability rating using a four-point scale from S1 to S4. Companies receiving the lowest rating of S4 will be excluded.

Binding elements related directly to the environmental or social characteristics are the exclusion of stocks rated S4 under the S-PVT process and those of companies engaged in certain excluded business activities as described in section 2 above.

Stocks rated S3 will only be included where the Investment Manager expects positive change to the sustainability characteristics of that company, including companies with which it will use voting and/or engagement to drive or accelerate that change.

No more than 20% of the Fund's NAV will be invested in companies the Investment Manager considers as 'higher ESG risk' which includes companies:

- in either the energy, materials and/or utilities sector which have a Carbon Disclosure Project climate change rating of D or below (where available); and/ or
- flagged for alleged UN Global Compact failures.

Assessing good governance practices

River and Mercantile Group has been accepted by the Financial Reporting Council as a signatory to the UK stewardship code 2020 and is a signatory to the UNPRI. As a signatory to these two codes, the good governance practices of investee companies are assessed prior to making an investment and annually thereafter. This requires investee companies to adhere to minimum standards in various areas including sound management structures, employee relations, remuneration of staff and tax compliance.

The Investment Manager is committed to the principle of active stewardship – monitoring and influencing the companies in which its portfolios invest, through voting and engagement, and challenging companies that fall short of its standards for managing ESG-related risks. More details about the Investment Manager's voting policy to influence best practice governance can be found in its Voting & Engagement Policy. This is critically linked to governance, which the Investment Manager views as the foundation on which the three S-PVT pillars of People, Innovation and Environment are built.

5. Proportion of investments

The Fund seeks to achieve its investment objective by investing in global equities (long only). As a minimum, 80% of the Fund's NAV will invested in equities (directly or indirectly held). Equity investments will be selected using the S-PVT investment process so a minimum of 80% of the Fund's NAV will be aligned with and used to attain the environmental and/or social characteristics promoted.

The Fund aims to invest at least 25% of its NAV in companies that also meet the criteria of sustainable investments under SFDR.

Up to 20% of the Fund's assets may be invested in cash or other ancillary liquid assets (for example, cash, bank deposits and short-term debt instruments). A maximum of 10% of the Fund's NAV may be invested in collective investment schemes (which can include those operated and/or managed by the Manager and Investment Manager).

The Fund may use derivatives for the purposes of reducing risk or cost or for generating extra income or growth (known as "efficient portfolio management"). As an example, the Fund may use forward contracts for currency hedging with the intention of reducing the risk arising from currency exposures in a cost-effective way.

The Fund is not focused on any one geographical region or industry sector. No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

6. Monitoring of environmental or social characteristics

The primary sustainability indicators used to measure the attainment of promoted environmental or social characteristics of the Fund are the Investment Manager's proprietary rating system and fundamental research. This utilises the S-PVT framework which is a holistic approach based on qualitative assessment of key parameters grouped under the pillars of People, Innovation and Environment. The rationale for, and key considerations within these indicators are summarised in section 7 and more detail is available here.

Upon investment and over the life of the product, the Investment Manager also assesses and monitors the indicators contained in Table 1 of Annex 1 of the Draft RTS and (i) the percentage of women in senior management roles; (ii) the percentage of investee company board members that are independent; (iii) measures of energy, water and waste intensity.

When evaluating an investee company's contribution towards the Fund's promoted sustainability characteristics, the Fund focuses on the absolute improvement of each of the above parameters, rather than selecting companies which are necessarily already leaders in them.

Reporting by the Investment Manager in respect of internal and external monitoring of sustainability characteristics is generally structured as follows:

- ESG factors – utilising SFDR PAI methodology, S-PVT analysis (including MSCI ratings), Carbon Disclosure Project ratings and Transition Pathway Initiative scores.
- Carbon – utilising SFDR PAI methodology. Metrics used include total absolute carbon emissions from the portfolio, weighted average carbon intensity, carbon footprint and carbon to enterprise value.
- Voting and engagement – logging and tracking of engagement activities linked to issues and UN Sustainable Development Goals. Quarterly voting and engagement reports are published on the Investment Manager's website. Detailed engagement summaries are available from the Investment Manager on request.

Additional reporting and analysis will be provided to the Fund board and management company as may be necessary to ensure effective oversight.

7. Methodologies

The Investment Manager has developed the S-PVT framework to ensure its assessment of a company's sustainability credentials, and therefore contribution to the attainment of the Fund's promoted social or environmental characteristics, is made in a structured, robust and diligent manner, based on a variety of data and supported by the use of the principal adverse indicators mandated in SFDR, with consideration to third party ratings or evaluations where appropriate.

Under the S-PVT framework, stocks are assigned to one of four sustainability tiers, from S1 (the highest rating) to S4, as explained further below. Stocks graded S3 will only be included where the Investment Manager expects positive change to the sustainability characteristics of that company, including companies with which the Investment Manager will use voting and/or engagement to drive or accelerate this change. S4 stocks are excluded from the Fund.

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 the Investment Manager).

Within the Investment Manager's Environment pillar under the S-PVT framework, the Investment Manager positively assesses companies with strategies that include climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. In doing so, the Fund will support companies that are improving their environmental footprint and/or enabling others to accelerate their own ability to do so (that is to say, companies which can be regarded as making a net positive contribution in the Investment Manager's opinion).

In addition, the Fund will assess the attainment of its environmental characteristics via the carbon intensity profile of its investee companies (defined as tonnes of GHG CO_2 emissions equivalent per US dollar of revenue) as well as the companies which are facilitating the reduction of greenhouse gas emissions in line with the Paris Agreement and IPCC reports, or other similar bodies and agreements which may supersede them, with the intention of mitigating the impact of climate change.

8. Data sources and processing

The Investment Manager utilises a number of third-party data sources within the S-PVT process as listed below.

- MSCI
  - *ESG Ratings*
  - *Business Involvement*
  - *Fossil Fuels Exposure*

- Bloomberg
  - *Company current and historical reported/derived ESG related information*

- Sustainalytics
  - *SFDR PAI Solution*
  - *EU Taxonomy Solution*
  - *Global Standards Screening*
  - *Global Standards Engagement*
  - *Impact Solution*

- Institutional Shareholder Services (ISS)
  - *Proxy voting service*

- Carbon Disclosure Project (CDP)
  - *Scores All Themes*

- CoalExit
  - *Global Coal Exit List*

- Science Based Targets Initiative (SBTi)
  - *Companies taking action*

- Transition Pathway Initiative (TPI)
  - *Company Latest Assessments*

- Climate Action 100+ (CA100+)
  - *Company Assessments*

- 2 Degrees – Paris Agreement Capital Transition Assessment (2DII – PACTA)
  - *Scenario Analysis*

- Company websites

Whilst the Investment Manager relies predominantly on its S-PVT process for rating a company's sustainability credentials, it also looks to other third-party rating agencies for additional information including MSCI ESG, CDP and TPI ratings.

With the exception of company websites, data is downloaded directly from third-party systems and run through a series of validations. These validations include checks for confirmation of file structure and that the volume of records is as expected with no missing data points. Where the same datapoint has been provided by multiple sources, comparisons are made to ensure consistency. Only once these validations have been satisfied data is considered ready for use.

The Investment Manager may also reference public data sources such as Glassdoor or Trustpilot, other third-party research including professional industry bodies and sustainability issues highlighted by the media, among many other sources.

Where reported data is not available, it will be necessary to use estimated data. Any estimated data used is sourced from well-established data providers and further sense-checked by analysts. The proportion of data that is estimated will vary depending on the company, period and metric.

9. Limitations to methodologies and data

The Fund's investment strategy relies in part on the Investment Manager's judgement to assess the direction and pace of a company's sustainability trajectory. Such companies may not be 'sustainability leaders' right now. The challenges inherent in this approach are addressed by the robust S-PVT process, thorough analysis and research of shortlisted potential investments, as well as ongoing monitoring and engagement with investee companies.

At this early stage of SFDR implementation, disclosure obligations placed on companies lag the disclosure obligations of the Fund and as such sustainability data at this time may generally be incomplete and insufficient. As such, it is necessary to use estimated data alongside reported data. In addition, disclosure requirements will only apply to companies to which SFDR applies. Any estimated data used is sourced from well-established data providers, subject to data validation processes described in section 8 ('Data sources and processing') and further sense checked by analysts as third-party estimates are considered, for the time being, to be subject to considerable error and uncertainty. Third-party estimates will not be used as a binding constraint and the Investment Manager has discretion to rely on in-house research and analysis if it believes third-party estimates are wrong.

Similar data limitations apply to assessment of the proportion of investments that are Taxonomy aligned. Due to the limited obligations currently placed on investee companies to report relevant information, the Investment Manager has engaged a third party ESG data analytics specialist to review the Fund's target portfolio. Such analysis is designed to help identify and understand the portions of the portfolio which are eligible for and aligned to the Taxonomy. At this time, analysis is provided in respect of the proportion of investee companies' revenue derived from economic activities aligned and/or eligible with Climate Change Mitigation. As coverage and data availability improves, a more detailed assessment will be available.

At this time, the Investment Manager is unable to collect reliable data for all biodiversity-related indicators and as such relies to a greater extent on its own analysis.

10. Due diligence

The S-PVT process begins with a quantitative screening process to identify companies with strong Potential, Valuation and Timing characteristics, using a process that has been in place since 2006. ESG assessments are then integrated at the fundamental research stage through the three pillars of People, Innovation and Environment, that most commonly impact a company's long-term value creation potential. The relative weight put on the different pillars will be both company specific and sector-related, with reference to the Sustainability Accounting Standards Board Materiality Map.

S-PVT has a four-tier scoring system which may identify an investment case as being compromised by weak sustainability characteristics and therefore inappropriate for inclusion in portfolios. Tiers are assessed based on both analysis of metrics and qualitative judgements. Part of this process is also identifying companies where change and improvement in the pillars of sustainability could unlock value, and this can be accelerated by engagement. The Investment Manager team has a single approach to S-PVT research, voting and engagement. It is built to enable a consistent approach for companies across different regions, of varying size, and at different stages of their life cycle.

For further detail about the due diligence within the S-PVT process please see here.

Due diligence on ESG values is undertaken by analysts during verification prior to investment. Changes to ratings are then monitored via a weekly change report. When there is material new information (e.g., company results or an acquisition) that changes the initial investment thesis and/or conviction level and potentially warrants a portfolio action, a thesis update will be performed.

The Investment Manager uses specialist third-party trade compliance systems to manage and monitor adherence to regulatory and Fund-specific investment restrictions. This includes each stock's S-PVT tier, which is subject to further checks by the depositary to ensure compliance.

Further validation and challenge of the S-PVT tiers assigned to stocks is undertaken on a statistically-significant sampling basis by the Investment Manager's second line Risk function. Any recommendations for controls or monitoring as a result will be reported to the relevant Investment Manager committees with governance responsibility. Any resulting controls or monitoring will be implemented accordingly.

11. Engagement policies

The Investment Manager's engagement policies and reporting are available here.

The Investment Manager believes executive management should be incentivised to consider the impact of sustainability factors and be rewarded accordingly. Engagement plays an important role in its 'comply or explain' approach. The Investment Manager believes management teams need investors with medium-to-long-term investment horizons to support and fund transformational strategies, where working cultures emphasise success on achieving financial as well as non-financial goals and where investors hold management to account for the delivery of these goals through engagement.

The Investment Manager has adopted ISS' Specialty Climate Voting Policy which assesses a company's climate-related performance and disclosures to provide proxy vote recommendations on climate-related issues. It will utilise collective engagement with other asset managers or owners where possible and prioritise its engagement activities with the aim of maximum impact from limited resources. In addition to its own direct engagement with companies, the Investment Manager will also collaborate with other parties to address systemic risks such as climate change.