



# **Environmental, Social and Governance Policy**

**31 January 2021**

## **1. Introduction**

Mori Capital Management Limited (“Mori”) actively advocates sustainability investing by integrating environmental, social and governance factors (ESG) into its investment process in various ways. We are convinced this leads to better-informed investment decisions and benefits society. Carrying out stewardship responsibilities is an integral part of Mori’s sustainability investing approach. As such, Mori wants to avoid making any investments which we or our clients deem unsuitable.

The Mori ESG Policy is compliant with internationally recognized standards for responsible business operations and investment practices. More specifically, Mori has implemented the United Nations Principles for Responsible Investment (UN PRI) in its business practices and ensures that portfolio companies adhere to and comply with the principles in UN Global Compact, UN’s Universal Declaration of Human Rights and guidelines outlined in the Organization for Economic Co-Operation and Development (OECD) for Multinational Enterprises.

Mori will apply the terms and criteria of this ESG policy to all listed assets under management from all funds over which we have full discretion, but excluding discretionary mandates and client specific funds.

## **2. Focus Areas**

We exclude from our investment universe companies that fall within the following focus areas:

### **Social and environmental ethics**

Mori assesses the behaviour of companies in accordance with the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises (please refer to annexes 1 and 2).

When companies exhibit severe breaches of these principles and guidelines, an enhanced evaluation process is applied. In the event that Mori does not perceive a consistent effort by the company to comply with the aforementioned principles and guidelines over a sustained period of time, Mori will decide to exclude such firm from its investment universe.

### **Corporate governance**

Mori advocates high standards of corporate governance in investee companies, actively cooperating with the management board of the investee companies to promote and ensure the following principles are adhered to:

- have adequate number of independent directors;
- provide for adequate transparency about the company's operations and a governance structure that demonstrates appropriate accountabilities;
- take actions to ensure that its officers are not involved in corrupt practices;
- uphold high standards of business integrity and honesty;
- deal with regulators in an open and co-operative manner.

Companies that consistently fail to adhere to these principles will be subject to review under the terms of this policy and may fall within the list of exclusions.

### **Climate change strategy and governance**

Mori acknowledges the responsibility of the asset management industry towards climate change risks through the investment decisions that we make and the contact we have with investee companies and other institutions. We aim to make our contribution to the Paris Agreement ambition to keep temperature rise well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. We also recognize the part that climate change risks plays in contributing to the UN's Sustainable Development Goals (SDGs) 7, 12 and 13. Furthermore, we believe that climate change poses both risks and opportunities for our clients' investment portfolios. We aim to identify and manage those risks.

The empirical evidence that the global climate has been changing due to human activity, primarily through the consumption of fossil fuels and land use changes, is overwhelming. We acknowledge that climate change, if unmitigated, will have an unacceptable long-term impact on society and the global economy. In view of this, we acknowledge the responsibility of the asset management industry in addressing climate change risks through its investment decisions and its contact with investee companies and other institutions.

Given the high relevance of climate change for the global society and the investment community overall, we are working on adopting the following strategy:

1. Analysing climate-related investment risks relating to our investment portfolios.
2. Raising awareness about climate change risks, engaging through dialogue with clients and the public and engaging for change with the companies we invest in.

3. Integrating financially material climate change-related issues into our regular investment processes, where relevant for the business model.
4. Aligning investments with an emissions reduction pathway that would limit global warming to well below 2°C.

### **Weapon manufacturing industry**

Exclusion is applied to companies that are manufacturers of products that do not comply with the following treaties or legal bans on controversial weapons:

- The **Ottawa Treaty (1997)** which prohibits the use, stockpiling, production and transfer of anti-personnel mines.
- The **Convention on Cluster Munitions (2008)** which prohibits the use, stockpiling, production and transfer of cluster munitions.
- The **Chemical Weapons Convention (1997)** which prohibits the use, stockpiling, production and transfer of chemical weapons.
- **Biological Weapons Convention (1975)** which prohibits the use, stockpiling, production and transfer of biological weapons.
- The **Treaty on the Non-Proliferation of Nuclear Weapons (1968)** which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States (USA, Russia, UK, France and China).

### **Adult entertainment**

Mori will not invest in companies that derive more than 5% of revenue from adult entertainment.

## **3. Implementation**

The implementation of the guidelines established in this ESG policy is performed according to the criteria outlined below:

### **Policy scope**

This policy applies to all investments considered by the Chief Investment Officer and the Investment Committee and will be interpreted in accordance with local laws and regulations. As regards the scope of the policy vis-à-vis the potential exclusion of companies from Mori's investment universe, the following guidelines shall be observed:

- For company exclusions, all company-related listed investment instruments are in scope.
- For controversial behaviour cases, a “comply or explain” principle applies. Mori’s Chief Investment Officer may, on a case by case basis, grant exceptions for specific investments subject to the approval by Mori’s management board of the appropriate report outlining the grounds for the exception.
- Thresholds applied for controversial behaviour: 0% for controversial weapons and 50% for ownership.
- For discretionary mandates and client specific funds, Mori will only apply restrictions following applicable sanctions, rules and regulations. Mori can apply further restrictions and/or
  - a. Implement any exclusion list if agreed with the client.
  - b. If company A is partially owned by company B and company B is involved in controversial behaviour or controversial weapons, Mori will not exclude company A.

### **Policy governance**

Proposals for updates to this ESG policy may be submitted by Mori’s compliance officer, Mori’s investment committee members and/or members of Mori’s management board. Ultimately, any such changes must be approved by Mori’s management board to become effective.

### **Implementation**

In accordance with the UNPRI, Mori is committed to the incorporation of ESG into investment analysis, decision-making processes, portfolio companies’ policies and business practices. Unless sanctions stipulate specific timelines, ESG policy-based company exclusions apply within three months after the announcement. Possible exceptions on product specific grounds with respect to controversial behaviour exclusions are decided within this period.

## **4. Protecting investors’ interests**

Practical guidelines are followed when implementing the terms of this policy:

- Mori’s first and main responsibility is to serve the interests of its clients to the best of its ability.
- Exclusion of companies from our investment funds as a result of Mori’s ESG policy are not expected to significantly alter the risk-return profile of these funds. Therefore, in

the event a company is excluded from our investment funds on the grounds that it breaches any terms of this policy, such company will not be excluded from the benchmarks against which these funds are managed (when applicable).

- The list of excluded companies will be reviewed on a regular basis to verify whether any relevant changes have been made to the company's activities or behaviour. A review of such changes may lead to the exclusion being lifted.

## **5. Disclaimer**

This document is a marketing communication and is distributed for information purposes only. It does not constitute an agreement between yourself and Mori nor does it create any legally binding or enforceable obligations on Mori.

Individual investment objectives as well as any individual's personal and financial situation have not been considered either. On no account should the document be regarded as a substitute for the recipient procuring information for oneself or exercising one's own judgments. We therefore expressly point out that this document does not constitute personal investment advice.

The document does not constitute an investment strategy pursuant to Article 3 (1) No. 34 Regulation (EU) No 596/2014 on market abuse (market abuse regulation) nor an investment recommendation pursuant to Article 3 (1) No. 35 Regulation (EU) No 596/2014.

Investment decisions should always be made on the basis of the sales documentation (key investor information, sales prospectus and the current annual report), which provide detailed comments on the opportunities and risks of the financial instrument.

This information is a general disclosure on the investment approach and should not be considered as (i) investment advice, (ii) an endorsement or recommendation in a financial product or service, (iii) an offer to sell or a solicitation of an offer to purchase any securities or other financial instruments. All views expressed are those of Mori.

The statements made herein have not been audited by an external party, particularly not an independent auditing firm.

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## ANNEX 1

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### UN Global Compact Principles

#### Human rights

Businesses should

- support and respect the protection of internationally proclaimed human rights;
- ensure that they are not complicit in human-rights abuses;

#### Labour standards

Businesses should uphold

- the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced and compulsory labour;
- the effective abolition of child labour;
- the elimination of discrimination in respect of employment and occupation;

#### The environment

Businesses should

- support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility;
- encourage the development and diffusion of environmentally friendly technologies;

#### Anti-corruption

Businesses should

- work against corruption in all its forms, including extortion and bribery;

## ANNEX 2

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### OECD Guidelines for Multinational Enterprises

#### HUMAN RIGHTS

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Protection and respect	Policy
Political involvement	Due diligence
Remedy	

#### LABOUR

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Employment relationships	Forced labour
Workers' rights	Child labour
Occupational health and safety	Non-discrimination in employment and occupation
Employing local workers and providing training	Promoting cooperation between employers and workers
Creating employment opportunities	Facilitating training opportunities

#### ECONOMIC AND BUSINESS ISSUES

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Combating bribery and extortion	Involvement in local political activities
Competition	Taxation
Information disclosure	

#### CONSUMER ISSUES

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Consumer interests	Fair marketing
Consumers' health and safety	Consumers' access to complaint and dispute resolution
Protection of personal data and privacy	

#### COMMUNITY DEVELOPMENT

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Local capacity building	Employment opportunities
Training of employees	Employing local workers
Providing education and training	Science and technology

#### ENVIRONMENT

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Precautionary approach	Environmental behaviour
Environmentally sound technologies	Environmental management system
Education and training of employees	Contingency plans