RUBRICS

Sustainability Policy

Rubrics Asset Management (Ireland) Limited (“Rubrics”)

5 March 2021

Introduction

There is a growing body of empirical evidence which highlights that:

(a) management of sustainability risk presents an opportunity to drive long-term financial performance; and
(b) inadequate management of sustainability risks has a substantial negative effect on the financial performance.

In continuing to strive towards generating attractive, risk adjusted returns over the medium to long term, we believe a strong commitment to the incorporation of sustainability risks into investment decision making, and risk management, is also necessary. The structure of this policy is comprised of three sections:

- **Approach & Integration**
- **Governance & Oversight**
- **Monitoring & Transparency**

Approach & Integration

Rubrics selects securities from a global universe which possess the most favourable characteristics in helping us achieve our investment objectives. With a strong emphasis on active management within fixed income, there is a conscious bias towards larger, more highly rated issuers in both the government and corporate space.

When selecting securities, the investment team in Rubrics consider a myriad of factors including valuation, liquidity risk, credit risk (issuer, sector etc) and duration risk. This framework has been extended to incorporate sustainability as an additional risk factor. Sustainability risk is defined in Regulation (EU) 2019/2088 as may be amended, updated or supplemented from time to time (the "SFDR"), as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. When considering a security, Rubrics will incorporate the issuer's sustainability characteristics into the decision-making process.

Sustainability risk is identified and managed by Rubrics in the following manner:

1) **Third-Party Ratings Provider**

   In order to supplement its own fundamental analysis, Rubrics has (as at the date of this policy) engaged a leading environmental, social and governance ("**ESG**") ratings agency, MSCI ESG Research (UK) Limited to provide third-party ESG metrics (the "**Data Provider**") including ESG ratings.

   An ESG Rating provided by the Data Provider is designed to measure an issuer/company's resilience to long-term, industry ESG risk, including sustainability risk. The Data Provider uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks including sustainability risk and how well they manage those risks relative to their peers in their respective industries.

   The Data Provider rates over 8,500 companies (14,000 issuers including subsidiaries) and more than 680,000 equity and fixed income securities globally (as of October 2020), collecting thousands of data points for each company.

2) Minimum Ratings Threshold

Rubrics seeks to adhere to minimum ESG rating thresholds determined according to the nature of the strategy of each fund for which it acts. While Rubrics also carries out its own fundamental analysis on ESG characteristics associated with a potential issuer, each issuer is assigned an individual ESG rating by the Data Provider which Rubrics factors into its investment decision-making process bearing in mind the minimum ESG rating threshold for each fund for which it acts.

The overall portfolio ESG score for a fund is calculated as a weighted average of the ESG scores of the individual portfolio securities based on a combination of Rubrics' fundamental analysis and the ESG rating provided by the Data Providers.

3) **Pre-trade compliance check:** Rubrics directly assesses the adequacy of ESG programmes and practices of an issuer using fundamental analysis in addition to the ESG metrics of the Data Provider. This allows Rubrics to identify the relevant investment's ESG characteristics and whether it is vulnerable to sustainability risks.

   This process incorporates both:

   Positive screening: Potential investments which have strong investment characteristics, and do not cause a fund to breach its ESG rating, are included in the investment universe; and

   Negative Screening: Potential investments are removed from the investment universe on the basis that they pose too great a sustainability risk to the Sub-Fund.

   The information gathered from the fundamental analysis conducted is taken into account in deciding whether to acquire or retain a holding in an issuer and may, in certain circumstances, result in Rubrics investing in an issuer which may not adhere to all of the utilised ESG metrics provided by the Data Provider. As a result, Rubrics may invest in such an issuer where it believes that utilised ESG metrics from the Data Provider do not fully capture the positive sustainability-related changes which have been implemented by the relevant issuer.

   Where no third-party utilised ESG metrics can be sourced from the Data Provider or the relevant issuer, the issuer will be deemed as not posing a sustainability risk unless Rubrics has information that would otherwise indicate to the contrary, based on the fundamental analysis carried out.

   Should it be deemed by Rubrics that a security possesses excessive sustainability risk in its own right, or would negatively impact the overall portfolio composition of a fund from a sustainability risk perspective beyond the desired ESG score, the investment team would take the decision not to purchase (or divest from or reduce exposure to) the security taking into account the best interests of the shareholders of the fund. Furthermore, should the outlook of an issuer to which a portfolio of a fund has exposure either deteriorate or fail to meet initial expectations from a sustainability perspective, such that the security itself possesses excessive sustainability risk or the overall portfolio composition of a fund fails to meet the desired ESG score, the investment team would take the decision to sell the relevant security.

Governance & Oversight

The parameters established in this policy are incorporated into Rubrics' risk management framework through which the risk committee receives ongoing reporting with respect to individual security ESG metrics and the average ESG metrics for the funds under management.

Where the Rubrics investment team gathers information from the fundamental analysis and:

(a) believes that the Data Provider's ESG assessment, which includes an assessment of sustainability risk, does not fully capture the positive sustainability-related changes which have been implemented by an issuer; and

(b) wishes to make an investment decision which does not adhere to all of the utilised ESG metrics provided by the Data Provider;

a proposed justification of the investment decision is provided to the risk committee for internal assessment. Based on the assessment of the risk committee, a determination will be made as to whether the relevant position may be purchased or retained.

Monitoring & Transparency

As part of the ongoing risk management process, sustainability factors such as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, will be discussed by the investment team with oversight from the Chief Investment Officer. Sustainability related portfolio decisions in respect of a fund can often occur at this level, as a result of discussion around wider portfolio composition (issuer, sector, country risk etc.). From an ongoing monitoring perspective, monthly reporting will be provided to the risk committee to determine if the funds for which Rubrics acts remain within their allocated thresholds as well as to highlight any sustainability risks within the portfolios of the relevant funds.

Product adherence to internal sustainability limits and all discrepancies between internal research and utilised research from the Data Provider are documented and included in the risk register maintained in respect of each fund for which Rubrics acts and provided to the Board of Directors of Rubrics for their review and consideration who convene at least once each quarter.

As awareness towards ESG and sustainability related issues is relatively new, Rubrics believes that sustainability risks are still not fully embedded into the market value of publicly traded securities. Consequently, sustainability risks are also not fully reflected in the Synthetic Risk and Reward Indicator produced in respect of the undertakings for collective investment schemes ("**UCITS**") to which Rubrics' has been appointed which are available to potential investors and shareholders of the UCITS. In the interests of transparency, additional risk disclosures regarding sustainability risk are referenced in all Key Investor Information Documents ("**KIIDs**") (where relevant) and offering documents.

This sustainability policy is reviewed on an annual basis and revised as required and is available publicly at www.rubricsam.com