



Saracen Fund Managers **Environmental, Social, Governance and** **Sustainability Policy**

Saracen Fund Managers Limited is committed to having a positive impact in all areas of ESG and sustainability, both as a limited company and as an investor.

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1. Philosophy

Saracen Fund Managers Limited is an independent asset manager with a long term view on investing. We see ourselves as asset managers rather than asset gatherers and take the responsibility of stewardship of our clients' wealth very seriously. We believe this encompasses the duty of adhering to the highest standards with regards to ESG and sustainability aspects.

As a company we continuously try to improve our behaviour and reduce our environmental impact. As an investment manager, we apply a rigorous ESG analysis to our investments and try to influence the companies we invest in with regards to their policies.

2. Commitment to global standards

a) Company Principles

Saracen Fund Managers Ltd (SFM) supports the aims of the UN Sustainable Development Goals (SDG's). We have focused our efforts on those which align most closely to our strategic priorities, in order to make the biggest impact. We believe all companies have a responsibility to help achieve the aims of the SDG's. SFM looks to play our part in helping to promote health, wellbeing and equality of our employees, protect the planet, and ensure prosperity for all.

The UN SDG's can guide us, our clients, and society towards a brighter, sustainable future. We support all 17 of the UN SDG's, but we focus our efforts on those which align closely with our strategic priorities. That is where we can have the biggest impact which are namely;

- Ensure Healthy Lives and Promote well-being

We offer our employees a range of products, advice and support to stay healthy. SFM provides a comprehensive medical insurance policy to assist both employees and their families with any physical and mental health issues. Our health, safety and wellbeing target is to have 100% of employees well at work. By managing safety and supporting their health and wellbeing, we can create a healthy environment where they can perform, are resilient in times of change, feel engaged and are productive in their roles.

- Promoting Gender Equality

We are committed to fair financial rewards for all employees which are consistent with our remuneration policy. We also know that when women in business are visible it inspires change. We strive to ensure that there is adequate gender representation on the recruitment shortlist for all roles at all levels. We are striving for 50:50 gender representation on recruitment shortlists for all roles at all levels. We're committed to having 40-60% of either gender represented at every level of the business.

- Promoting Decent Work & Economic Growth

We promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. We employ 9 people and have an extensive Employee Handbook in place. Everyone employed by SFM earns well in excess of the living wage. We aim to continue to provide our investors with a return in excess of the comparative benchmark for their fund.

Quarterly Board Meetings will promote good governance, ensure risk is adequately managed and that all regulatory changes are appropriately actions. Good decision making at this level promotes an engaged and productive workforce. We strive to have no complaints from investors in our funds.

- Take urgent action to combat climate change and its impacts

We aim to reduce our carbon footprint by using public transport and trains for business trips. Flights are used only when strictly necessary. We have a recycling policy in the office and procure office supplies as locally as possible. The use of utilities is minimised at all times. SFM has an Environmental Policy in place. We aim to send 75% of our office waste for recycling by 2021. During 2020 we replaced all disposable plastic cups with glasses for visitors. All employees will be encouraged to use a reusable water cups only. We aim to reduce the number of reams of paper used by 20%.

b) Investment Principles

We are a signatory to the internationally recognised Principles for Responsible Investment (UN PRI). As such we are committed to incorporate ESG factors in investment decisions and adhere to the six Principles for Responsible Investment which are namely;

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

3. Company ESG Policy

a) Environmental

Policy Objective

The environmental policy has been developed to demonstrate Saracen Fund Managers' (SFM) commitment to conducting its operations in an environmentally responsible manner. The scope of this policy is to consider the environmental impacts associated with SFM's activities within our Edinburgh office, and associated transport activities. SFM has developed this Environmental Policy to govern its internal operations.

Principles & Key Policy Statements

SFM has recognised the influence that its operations have on the environment. SFM will take continual action to identify and reduce any negative impact and improve our environmental performance.

It is SFM's policy to achieve the following high level objectives:

- Understand the full scope of the environmental impacts of its internal operations;
- Comply with all relevant legislation and regulations;
- Involve employees in our environmental programme and provide necessary training to enable them to discharge their responsibilities;
- Engage with our Landlord to ensure environmental considerations are taken into account in the management of the office building.

To achieve these objectives SFM has identified a number of action areas:

- Utilities – SFM aims to reduce associated CO2 emissions through minimising electricity, gas and water consumption, where possible.
- Waste – SFM aims to reuse or recycle all possible materials and reduce total waste produced by our activities.

- Procurement – SFM aims to source sustainable products and services, where practical, for all internal operations.
- Transport - SFM aims to encourage employees to consider using more sustainable transport options.
- Ongoing Review – SFM aims to sustain a programme of continual improvement in environmental performance incorporating suitable measurement and monitoring mechanisms.
- Assigned responsibilities - The Board of SFM is responsible for considering any risks, opportunities and challenges associated with the identified environmental impacts and is accountable for the enactment of the policy.

b) Corporate Governance

Saracen Fund Managers Ltd (SFM) believes it is important to manage our business with due consideration for shareholders' interests and to enhance long-term enterprise value.

The board consists of five directors qualified for rendering proper business judgments and effective functioning. The inclusion of two Executive Directors is essential to enhance discussion in Board Meetings and allow the remaining three independent Non-Executive Directors to gain the fullest understanding of the firm's operations.

The independent auditor's performance and appointment is reviewed periodically. One Director of the firm is a Chartered Accountant and regular meetings are held with the Auditors. The annual report and accounts are produced timeously.

We have a single Remuneration policy in place that applies to all employees across the business. Our reward policy and practices are consistent with and promote sound and effective risk management. Salaries are set at levels competitive with market rates.

We enter into dialogue with shareholders based on an understanding of shared objectives. Important news is imparted, subject to appropriate inside information procedures, and we react helpfully to investor questions.

The Board regularly reviews our internal business ethics systems and ensures an effective process is in place for the internal reporting of wrongdoing. Robust compliance monitoring ensures all regulatory requirements are met including the enforcement of anti-bribery and corruption practices.

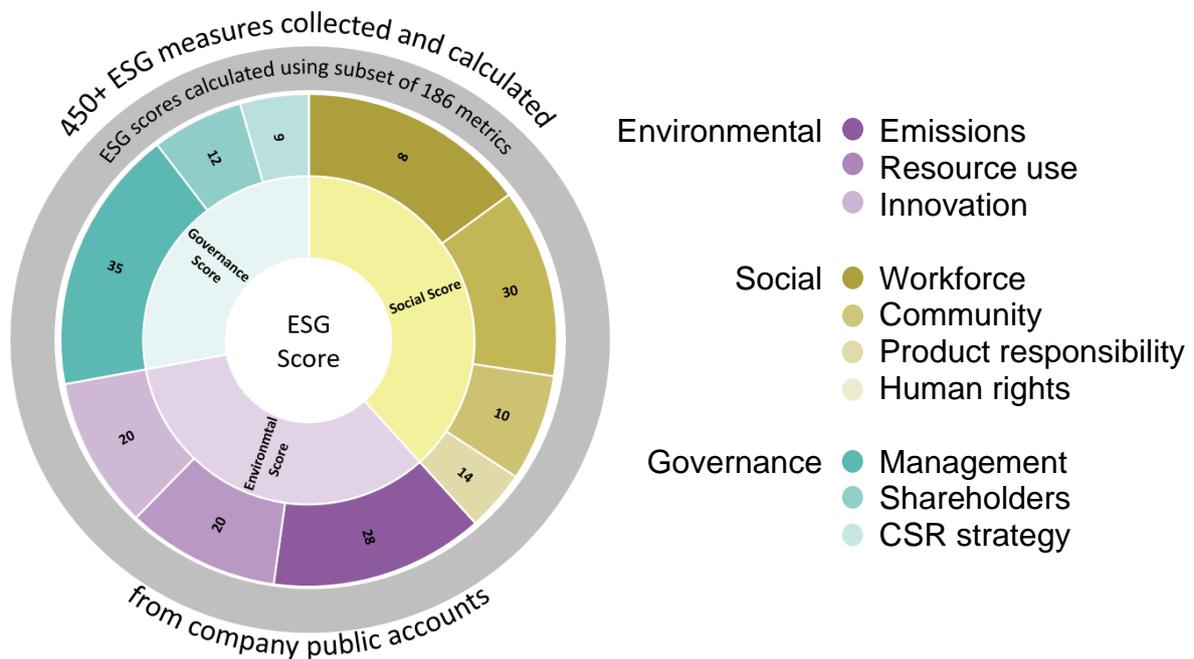
We adhere to our Environmental Policy and align our business with four of the UN's Sustainable Development Goals. Recruiting and hiring from the widest possible talent pool is in our best interests, as is maintaining a diverse workforce. We monitor diversity within the firm, gender pay gaps and gender representation within senior management.

4. Investment Strategy

a) Investment Analysis

We include an assessment of ESG in the evaluation of all of our investments. We have minimum requirements for ESG rankings for each holding, plus an overall ranking for each fund as a whole. Our goal is to increase this rank over time.

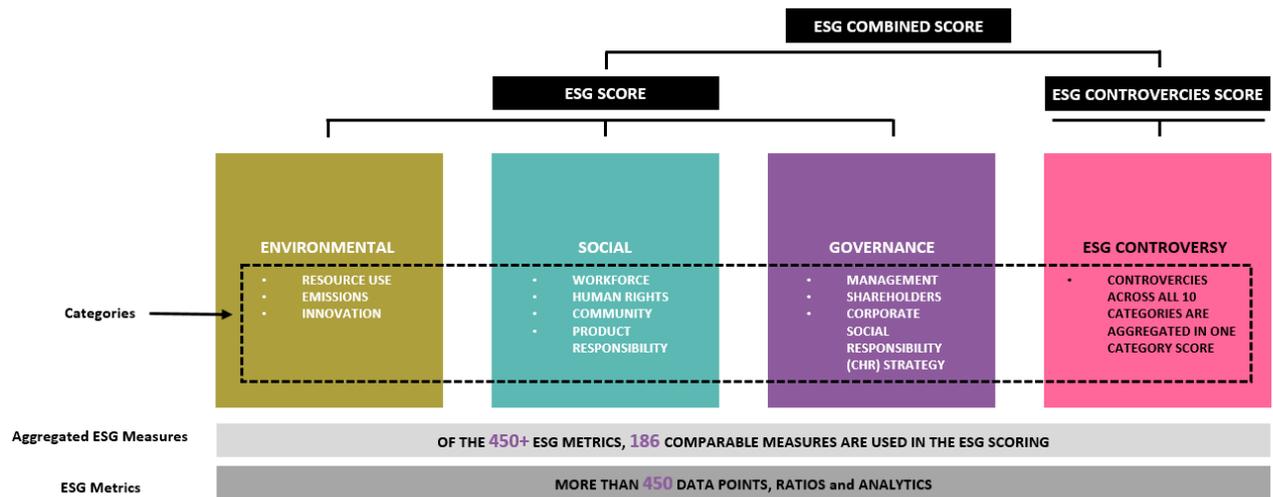
We use Refinitiv ESG scores, which are designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes based on publicly reported data:



The scores are based on relative performance of ESG factors with the company's sector (for E and S) and country of incorporation (for G).

As the importance of ESG factors differs across industries, each metric's materiality for each industry is mapped on a scale of 1 to 10. Company disclosure is at the core of the methodology. With applied weighting, not reporting "immaterial" data points does not greatly affect a company's score, whereas not reporting on "highly material" data points will negatively affect a company's score.

The overall ESG Combined score is discounted for significant ESG controversies. Companies' actions are verified against commitments and to magnify the impact of significant controversies on the overall ESG scoring.



Ranks are scored either numerically (0-100) or in letter grades (D- to A+):

Score range	Grade	Description	ESG Laggards ↑ ↓ ESG Leaders
0.0 <= score <= 0.083333	D-	"D" score indicates poor relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly.	
0.083333 < score <= 0.166666	D-		
0.166666 < score <= 0.25	D+		
0.25 < score <= 0.333333	C-	"C" score indicates satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly.	
0.333333 < score <= 0.416666	C-		
0.416666 < score <= 0.5	C+		
0.5 < score <= 0.583333	B-	"B" score indicates good relative ESG performance and above average degree of transparency in reporting material ESG data publicly.	
0.583333 < score <= 0.666666	B-		
0.666666 < score <= 0.75	B+		
0.75 < score <= 0.833333	A-	"A" score indicates excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly.	
0.833333 < score <= 0.916666	A-		
0.916666 < score <= 1	A+		

ESG aspects are addressed during the discussion of a company in the weekly research meetings. This includes a detailed discussion of the ranks compared to the peer group and over time, implications of these values for the portfolio and the risk profile of the values. If the ranking prevents us from investing in the company it will not be discussed in the portfolio construction process as it won't go into the portfolio.

If the ranking is acceptable but elevated it will have an influence on position size, just like any other risk outcome of the research meeting. We might therefore have a smaller position in a company with higher ESG risk.

In general, we are most interested in companies that can improve their ESG score over time with better disclosure and revised practices as we think this will contribute to a better performance and can lead to a rerating of the shares.

We have an overall score for the portfolio which is monitored as well. It is a weighted average of the underlying holdings' ranks. For the overall portfolio, we would expect the overall risk to decline as we try to either avoid or minimise exposure to negative ESG factors.

b) Company Engagement

As active investment managers we take our stewardship role very seriously. This means that we actively engage with our investment companies.

We recognise that governance and stewardship risks can be material to the performance and valuation of companies. Actively considering proxy votes for client holdings is therefore vital. We vote on all resolutions of our holding companies through Broadridge ProxyEdge.

Active engagement with companies on governance issues is an important adjunct to voting activities. We raise ESG issues when we meet and/or have conference calls with management of companies. The issues raised depend on the company in question. Examples for environmental questions include sustainable sourcing of raw materials (esp. in food and chemical companies), pollution (chemicals, mining, oil & gas, cruise companies), energy efficiencies (industrials, chemicals). Social and Governance issues are raised with all managements where applicable. If we feel strongly about an issue we contact the chairman of the board in writing.