

## APPENDIX

### Annex II

#### Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Product name: **GuardCap Global Equity Fund**

Legal entity identifier: **213800ENJ4BT22ERB181**

#### Environmental and/or social characteristics

##### Does this financial product have a sustainable investment objective?

☒ ☒ ☐ **Yes**

☒ ☐ ☒ **No**

☐ It will make a minimum of **sustainable investments with an environmental objective**: \_\_\_\_%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective**: \_\_\_\_%

☐ **It promotes Environmental/ Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_\_% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☒ It promotes E/S characteristics, but **will not make any sustainable investments**

##### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes environmental and social characteristics through: (i) investment in the highest quality companies around the world that are capable of generating long-term sustainable growth and meet the Investment Manager's ten investment criteria for quality and growth; ii) application of exclusions; iii) mapping of its portfolio against the United Nations Sustainable Development Goals ("SDGs"); iv) application of the six principles of the United Nations-supported Principles for Responsible Investing ("PRI"); and v) assessment of the Principal Adverse Impacts.

The environmental and social characteristics which the Fund seeks to promote will vary depending on the type of company in which the Fund invests. In respect of each investment made by the Fund, the Investment Manager will identify the specific environmental or social characteristic which that investment promotes. Environmental characteristics may for example include the investee company's focus on carbon emissions disclosures and reduction targets, while social characteristics may for example include the investee company's focus on compliance with the United Nations Global Compact, gender diversity and/or full compliance with labour laws.

No reference benchmark has been designated for the purposes of attaining the environmental or social characteristics promoted by the Fund.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.



**What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators used to measure the attainment of each of the environmental or social characteristics promoted by the Fund include: i) an assessment of whether investee companies continue to meet the Investment Manager's ten investment criteria for quality and growth (assessed through the Investment Manager's proprietary Foundations for Sustainable Growth scores); ii) the continued application of exclusions; iii) the mapping of the portfolio against the SDGs; iv) the continued application of the six principles of the United Nations-supported Principles for Responsible Investing ("PRI") and resulting PRI scores; and v) an assessment of the Principal Adverse Impacts, with improvement over time.

In addition, the Investment Manager may reference ESG scores from a number of external data providers. A negative trajectory may prompt the Investment Manager to conduct further analysis and to assess the implications.

**What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable. The Fund does not commit to making sustainable investments.

**How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable.

*How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable.

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**Does this financial product consider principal adverse impacts on sustainability factors?**

✓ **Yes** The Fund pursues a reduction of negative externalities caused by the underlying investments and in that context considers the principal adverse impacts of investment decisions on sustainability factors.

As part of the research process, the Investment Manager makes an assessment of the principal adverse sustainability impacts caused by the companies in which it invests. The outcome of the assessments may affect the valuation models as well as portfolio construction depending on the materiality of the sustainability risks or adverse impacts identified.

The Investment Manager will consider data points on the principal adverse impacts from investee companies and specialised ESG research providers to help identify where the key issues may be from an environmental and social perspective. The Investment Manager may face some challenges with regard to data availability, data quality and coverage. Where data is not available on a company or such data is deemed unreliable or inaccurate by the Investment Manager, a reasonable conclusion concerning the likely affects of such investments will be made. The consideration of a company's principal adverse sustainability impacts may identify companies with which the Investment Manager may wish to engage through voting at an annual general meeting and/or to initiate dialogue with the company directly.

The principal adverse impacts considered include:

- GHG emissions
- Carbon footprint
- GHG intensity of investee companies
- Exposure to companies active in the fossil fuel sector
- Share of non-renewable energy consumption
- Energy consumption intensity per high impact climate sector
- Activities negatively affecting biodiversity sensitive areas
- Emissions to water
- Hazardous waste
- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons
- Investments in companies without carbon emission reduction initiatives
- Investment in investee companies without workplace accident prevention policies

Further information on the principal adverse impacts will be available in the annual report.

☐ **No**

## **What investment strategy does this financial product follow?**

### **Summary**

The investment objective of the Fund is to seek long-term growth of capital with lower than market volatility by investing primarily in equity and similar securities issued by high quality companies listed on Recognised Markets in countries which are members of the Organisation for Economic Co-operation and Development (OECD).

The Fund will invest primarily in equity and similar securities listed on Recognised Markets in the OECD, and, in particular, the United States and Western European OECD countries. Securities similar to equity securities include convertible bonds, convertible preferred stock and depositary receipts. Convertible bonds enable the holder to convert their investment in the bonds into the issuer's common stock at a pre-agreed price and convertible preferred stocks enable the holder to convert their investment in the preferred stock into the issuer's common stock at a pre-agreed rate. Convertible bonds and convertible preferred stocks embed options and may therefore be leveraged. Depositary receipts generally evidence an ownership interest in a corresponding foreign security on deposit with a financial institution. In selecting securities for the Fund, the Investment Manager will seek to invest highly selectively in a concentrated portfolio of approximately 20-25 companies, without focusing on a particular industry or sector.

### **Promotion of Environmental and Social Characteristics**

The Investment Manager defines responsible investing as the integration of ESG considerations into investment processes and ownership practices, and believes that a company will not fulfil its objective of long-term sustainable growth if it is falling behind in its ESG-related practices.

The Investment Manager conducts a comprehensive analysis of a company's business and growth potential to ensure that it incorporates the sustainability risks and opportunities relevant to each company and an analysis of a company's ESG issues forms a key part of every investment decision. This analysis is at the core of the Investment Manager's investment process, with a focus on whether and how these risks and opportunities will affect the long-term sustainability of the company's competitive positioning and capacity for growth.

At the initial screening stage of the investment process, the Investment Manager uses third-party data to screen the investment universe of over 90,000 listed securities using quantitative metrics corresponding to the ten investment criteria. This includes ESG metrics and external scores for the company and its competitors, which enables a quick assessment of whether there are any “red flags” and how the company compares to its peers. If red flags are present, the Investment Manager conducts further analysis on these issues to assess the implications.

Companies that make it through the initial screening stage are taken through ever-deepening stages of analysis, and high scoring companies will be included in the “High Confidence Pool”, which consists of up to 50 companies that are candidates for inclusion in the portfolio, or already included in the portfolio. All members of the Investment Manager’s investment team score all of the companies in the High Confidence Pool against the ten investment criteria. Low scores and/or a divergence in scores prompts further analysis and discussion.

The Investment Manager takes an absolute approach to assessing companies’ capacity for long-term sustainable growth and companies with high ESG risk profiles typically drop out of the investment process in the early stages.

For a company to attain and maintain membership of the High Confidence Pool, it must meet the Investment Manager’s investment criteria, including Foundations for Sustainable Growth, which helps ensure that a company demonstrates good corporate governance and strong environmental and social practices.

The Investment Manager’s investment approach steers away from the most environmentally damaging and controversial sectors such as energy, mining and commodity chemicals, because the companies in these sectors typically also fail a number of the Investment Manager’s other quality and growth criteria, due to characteristics such as high cyclicity, low competitive differentiation, high capital requirements and regulation, among others.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the Fund are i) the application of the Investment Manager's ten investment criteria; ii) the application of exclusions; iii) mapping of the portfolio against the SDGs; and iv) the application of the six principles of the PRI.

i) application of the Investment Manager's ten investment criteria

The Investment Manager will invest only in companies which are listed on Recognised Markets in the OECD and which in the opinion of the Investment Manager have all or most of the following ten characteristics, a number of which are closely linked with or promote environmental or social characteristics: (i) proven track record of quality growth; (ii) industry secular growth tailwind: businesses that may benefit from secular growth trends, for example, the switch from the use of cheque and cash to electronic payment methods, and are less exposed to general business cycles; (iii) sustainable competitive advantage of the company's products and/or services over its major competitors; (iv) high and preferably rising returns on invested capital in absolute terms and compared to sector peers; (v) excellent management: in assessing the quality of a company's management, the Investment Manager will consider a variety of factors including the company's management history in relation to revenue growth, earnings per share, cash flow, progressions in return on capital, conservative use of the balance sheet, executive remuneration policies in line with shareholder objectives, strength of corporate governance including a strong and independent board of directors; (vi) sufficient business maturity: size, stability, reliability and sustainability of revenue sources; (vii) strong balance sheets, with net debt less than five years' forecast free cash flows from the business; (viii) strong free cash flow with good cash conversion rates; (ix) Foundations for Sustainable Growth: good corporate governance and strong environmental and social commitments x) business diversification: well diversified sources of revenue.

ii) application of exclusions

The Fund seeks to exclude direct investment in corporate issuers that are involved in the manufacture or production (subject to a specific revenue threshold\*) of activities including but not limited to:

- i) Controversial weapons (including but not limited to anti-personnel landmines, cluster munitions, biological weapons and chemical weapons);
- ii) Firearms or small arms ammunition;
- iii) The extraction of fossil fuels and/or the generation of power from them; and
- iv) Tobacco products

\*Specific revenue threshold applied is 5% based on a company's annual report.

iii) mapping of its portfolio against the SDGs

The Investment Manager assesses the alignment of the investee companies in the Fund's portfolio with the SDGs. The Investment Manager believes that companies with products and/or services that conflict with the SDGs or trends towards social and environmental responsibility will not meet at least two of its investment criteria – 1) industry secular growth tailwind – as they will likely face headwinds trying to grow against the prevailing developments, 2) and Foundations for Sustainable Growth.

iv) application of the six principles of the PRI:

These six principles which the Investment Manager applies include:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the PRI.

Principle 6: We will each report on our activities and progress towards implementing the PRI.

***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered prior to application of that investment strategy.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

***What is the policy to assess good governance practices of the investee companies?***

The Investment Manager expects investee companies to uphold the highest standards of corporate governance, and where it believes these standards are not being upheld may engage with the company and/or vote against management proposals in an AGM or EGM.

As a UK-based investor with a global client base, the Investment Manager has opted to become a signatory of the UK Stewardship Code, and of the International Corporate Governance Network (ICGN) (through its parent company, Guardian Capital LP). The Investment Manager sets out to uphold the principles of each code, and recognises the differing governance models and jurisdictional influences in terms of legal structure, ownership patterns, state of economic development, capital markets, and historical, social and cultural norms, as well as a company's size and stage of development. At the same time, the Investment Manager recognises that there are generally overarching principles to good corporate governance and typically invests in companies that apply and uphold the following principles (as set out by the ICGN):

**Principle 1: Board role and responsibilities**

The board should promote the long-term best interests of the company by acting on an informed basis with good faith, care and loyalty, for the benefit of shareholders, while having regard to relevant stakeholders.

**Principle 2: Leadership and independence**

Board leadership requires clarity and balance in board and executive roles and an integrity of independent process to protect the interests of shareholders and relevant stakeholders in promoting the long-term success of the company.

**Principle 3: Composition and appointment**

The board should comprise a sufficient mix of directors with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making in alignment with the company's purpose, long-term strategy and relevant stakeholders.

**Principle 4: Corporate culture**

The board should instil and demonstrate a culture of high standards of business ethics and integrity aligned with the company's purpose and values at board level and throughout the workforce.

**Principle 5: Remuneration**

Remuneration should be designed to equitably and effectively align the interests of the CEO, executive officers and workforce with a company's strategy and purpose to help ensure long-term sustainable value preservation and creation. Aggregate remuneration should be appropriately balanced with the payment of dividends to shareholders and retention of capital for future investment and the level of quantum should be defensible relative to social considerations relating to inequality.

**Principle 6: Risk oversight**

The board should proactively oversee the assessment and disclosure of the company's key risks and approve the approach to risk management and internal controls regularly or with any significant business change and satisfy itself that the approach is functioning effectively.

**Principle 7: Corporate reporting**

Boards should oversee timely and reliable company disclosures for shareholders and relevant stakeholders relating to the company's financial position, approach to sustainability, performance, business model, strategy, and long-term prospects.

**Principle 8: Internal and external audit**

The board should establish rigorous, independent and effective internal and external audit procedures, to ensure the quality and integrity of corporate reporting.

**Principle 9: Shareholder rights**

Rights of all shareholders should be equal and must be protected. Fundamental to this protection is ensuring that a shareholder's voting rights are directly linked to its economic stake, and that minority shareholders have voting rights on key decisions or transactions which affect their interest in the company.

#### Principle 10: Shareholder meetings

Boards should ensure that meetings with shareholders are efficiently, democratically and securely facilitated to enable constructive interactivity and accountability for the company's long-term strategy, performance, and approach to sustainable value creation upon which voting decisions may be influenced.

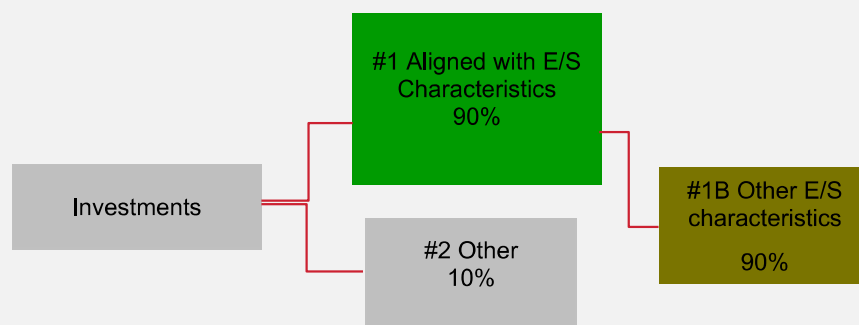


#### Asset allocation

describes the share of investments in specific assets.

#### *What is the asset allocation planned for this financial product?*

In accordance with the binding elements of the investment strategy, the Fund will invest at least 90% of its total assets in securities deemed to be aligned with the environmental and/or social characteristics promoted by the Fund. The remaining 10% may be invested in cash and cash equivalents (including certificates of deposits and treasury bills), money market or short-term bond funds and/or derivatives. Such investments will not be aligned with the environmental and/or social characteristics promoted by the Fund, nor will there be any environmental or social safeguards in place.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristic, have no minimum environmental or social safeguards, nor are qualified as sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

**turnover** reflecting the share of revenue from green activities of investee companies

**capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

**operational expenditure** (OpEx) reflecting green operational activities of investee companies.

#### *How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?*

Not applicable as derivatives are not used to attain the environmental or social characteristics.



#### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to making sustainable investments within the meaning of the EU Taxonomy

and as such the taxonomy-alignment of investments is 0%.

● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?



Yes:



In fossil gas



In nuclear energy

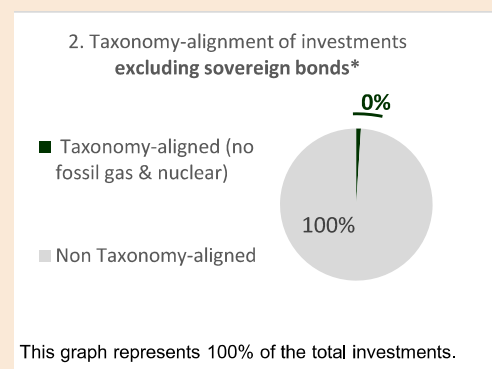
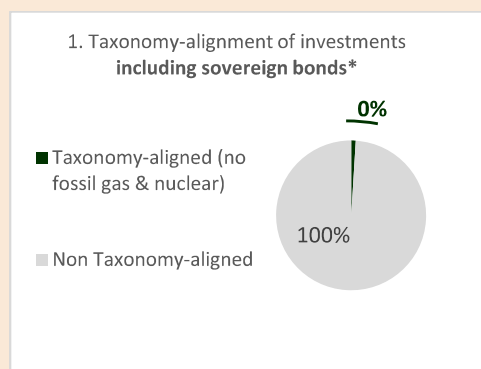


No

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**What is the minimum share of investments in transitional and enabling activities?**

Not applicable. The Fund's minimum share of investments in transitioning or enabling activities is 0%.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable.



**What is the minimum share of socially sustainable investments?**

Not applicable.



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulations (EU) 2022/1214.



under the EU Taxonomy.

The investments included under "#2 Other" are cash, cash equivalents (including certificates of deposits and treasury bills), money market or short term bond funds and/or derivatives which are not subject to environmental and/or social screening or any minimum environmental or social safeguards.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No. The Fund does not use a designated index as a reference benchmark.

***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

***How does the designated index differ from a relevant broad market index?***

Not applicable.

***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

Please refer to <https://www.guardcap.co.uk/media/1183/sfdr-disclosure-article-8.pdf>