

ANNEX I

Product name: Polar Capital Funds plc – North American Fund (the “Fund”)

Legal entity identifier: 549300E1985KCB4EO849

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**

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.



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

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

The Fund promotes environmental and social characteristics through the application of its investment strategy.

Using the Investment Manager's proprietary ESG analysis framework (the "North American Fund Framework"), the Fund seeks to invest in companies with positive aggregate scores against the four ESG categories below:

- (i) Interaction with the Environment - This concerns a company's management of the risks and opportunities related to the environment.
- (ii) Treatment of Stakeholders - This concerns a company's practices and policies in relations to all stakeholders.
- (iii) Corporate Governance - This concerns a company's governance structures and frameworks.
- (iv) Positive Contribution to Society - This concerns the company's ability to contribute to broader society in a sustainable manner and the likelihood that this will improve over time.

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

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

The Fund will use the North American Fund Framework to measure the attainment of the Fund's ESG characteristics against the four categories described above. The Investment Manager's North American Fund Framework will only be used by the portfolio managers of the Fund.

● ***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?***

The Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

● ***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?***

The Fund does not invest in Sustainable Investments.

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

The Fund does not invest in Sustainable Investments.

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

The Fund does not invest in Sustainable Investments.

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,
- ☒ No



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

What investment strategy does this financial product follow?

The Investment Manager applies a four-stage investment approach to achieve the Fund’s ESG characteristics:

- (i) Idea identification stage, in line with the Investment policies of the Fund;
- (ii) Due diligence analysis of companies against the North American Fund Framework;
- (iii) Exclusion of companies in accordance with the North American Fund Framework; and
- (iv) Engagement with companies on material ESG issues.

The Investment Manager uses the North American Fund Framework to evaluate the ESG performance of companies against the following four categories.

Interaction with the Environment

The Investment Manager looks at the potential for the company to cause harm to natural resources, how well the company is managing its potential to cause harm, how impactful changes to the environment might be on the company’s operations and any positive contribution the company can make over time.

Treatment of Stakeholders

The Investment Manager evaluates a company’s treatment of its stakeholders. This involves analysing information including, but not limited to, the organisational culture, customer satisfaction and care, employee satisfaction and well-being, the treatment of vendors and community engagement. The Investment Manager also considers meaningful potential or actual conflicts of interest between stakeholders.

Corporate Governance

The Investment Manager looks at the incentives in place for senior managers, the quality of the company’s financial statements, and whether governance and organisational structure has

influenced or could influence operational performance and capital allocation. The Investment Manager also evaluates the independence, composition and effectiveness of a company's board and the ability for shareholders to express their views alongside the willingness of the board and company management to listen to concerns.

Positive Contribution to Society

The Investment Manager evaluates the importance a company places on key issues relating to long term sustainable value creation, in the context of the company's operations and the role it plays in the world.

The Investment Manager will assign a company a score against each of the four categories that demonstrates either high/positive, neutral or low/negative performance on that category. The Investment Manager aggregates a company's scores on all four categories to create an overall score that demonstrates either high/positive, neutral or low/negative ESG performance by the company. The Investment Manager has a preference to take positions in companies with high/positive aggregate scores.

The Investment Manager will monitor a company's performance against the North American Fund Framework on an ongoing basis and will seek to update the company's scores where new and relevant information becomes available

For the avoidance of doubt, the Investment Manager may invest in companies that do not score positively on the North American Fund Framework where, in the Investment Manager's view, the company presents an investment opportunity that is aligned with the investment objective of the Fund.

● ***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 Investment Manager applies the following binding elements within the investment process to attain the Fund's ESG characteristics:

- (i) Analysis of companies against the North American Fund Framework
- (ii) Exclusion of companies in accordance with the North American Fund Framework
- (iii) Engagement with companies on material ESG issues

Within the fundamental checklist, there is an explicit scoring framework on the ESG questions, and the Investment Manager targets a minimum of 75% of companies scoring an aggregate of 1 or higher.

In the event a company attains the lowest available score on any one of the four categories in the North American Fund Framework, that company will be excluded from investment in the Fund.

If an investee company receives a downgrade to the lowest available score in any one category, the Investment Manager shall assess the reasons behind the downgrade. The Investment Manager will then decide the appropriate action of whether to monitor, enter enhanced engagement, or divest from the company, taking into account the best interests of shareholders in the Fund.

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

The Fund does not commit to reduce the scope of investments by a minimum rate prior to the application of the investment strategy.

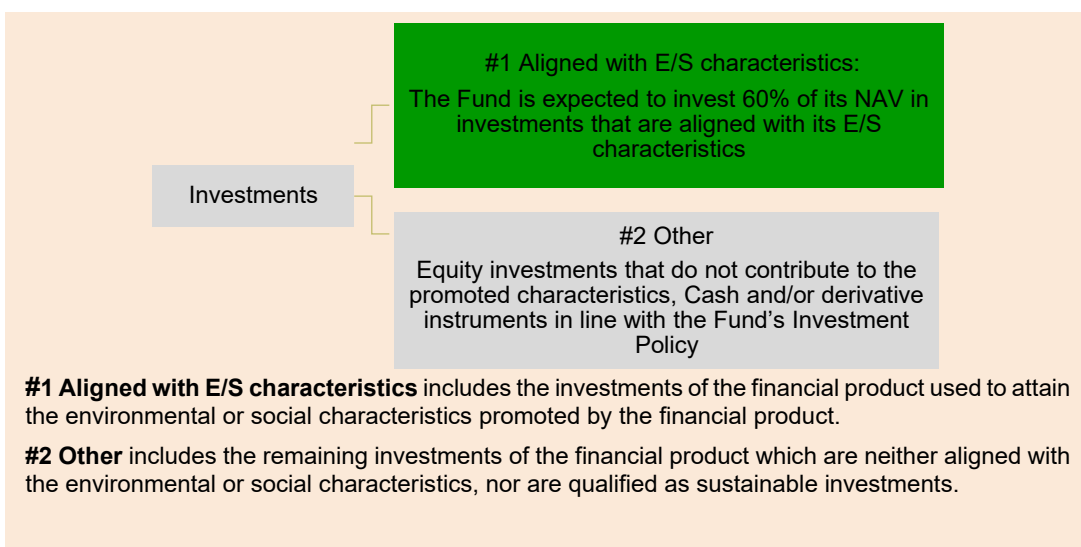
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

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

The topic of corporate governance is dealt with directly through the third of the four ESG questions and indirectly through other checklist questions. The third question is as follows: Is the corporate governance appropriate and supportive of sustainable value creation?

The governance question considers the composition and effectiveness of the board, the ability for shareholders to express views and the willingness of the board and management to heed these, the incentives in place for senior managers, the quality of the accounts, and the track record of capital allocation. The issues of tax compliance and employee relations are also considered here and in the social question regarding the treatment of stakeholders.

What is the asset allocation planned for this financial product?



The Fund invests primarily in a diversified portfolio of North American listed companies. The Investment Manager uses the North American Fund Framework to assess the environmental and/or social characteristics ("E/S") of each investee company.

100% of the companies the Fund invests in are assessed under the Investment Manager's North American Fund Framework, which is used to assess and deliver the environmental or social characteristics promoted by the Fund.

The minimum proportion of the investments of the Fund used to meet the environmental or social characteristics promoted by the Fund shall be 60%. The minimum proportion of equity investments of the Fund used to meet the environmental or social characteristics promoted by the Fund shall be 75%.

The Fund's investments identified as #2 Other in the above diagram will be held in equity securities that do not contribute towards the Fund's promoted characteristics, cash and/or derivative instruments.

Any equity holdings not positively aligned with the promoted E/S characteristics are held in order to meet the fund's investment objective: to achieve long term capital appreciation. All positions are assessed under the North American Fund Framework to ensure their compliance with minimum social safeguards, here meaning all investable positions must comply with the minimum requirements of the North American Fund Framework.

Up to 20% of the Fund's investments may be held in cash and/or derivative instruments, in line with the Fund's investment policy. There are no minimum environmental or social safeguards applicable to these investments.



Asset allocation describes the share of investments in specific assets.

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?**

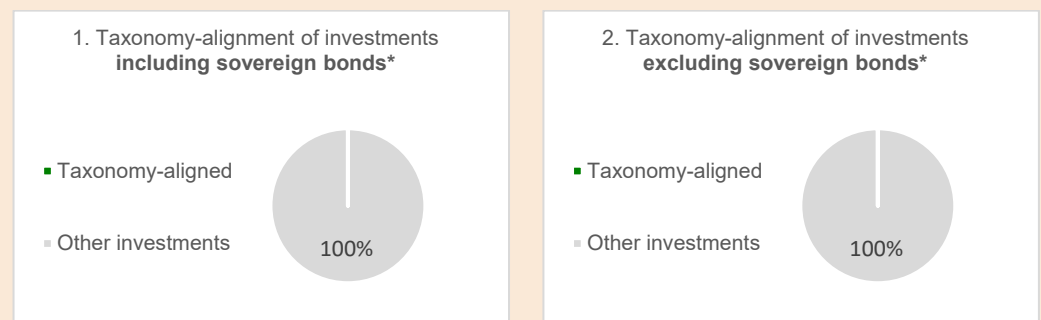
Although the Fund is permitted to invest in financial derivative instruments, the Investment Manager will not generally seek to invest in these instruments to promote its environmental or social characteristics. However, financial derivative instruments may be held by the Fund for risk management purposes, for efficient portfolio management purposes or where they have been received from an investee company pursuant to a corporate action (e.g. an issue of warrants or share options).



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

0%

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?**

The Fund does not invest in environmentally sustainable activities, transitional activities or enabling activities under the EU Taxonomy Regulation.



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

The Fund does not invest in environmentally sustainable activities, transitional activities or enabling activities under the EU Taxonomy Regulation.



What is the minimum share of socially sustainable investments?

The Fund does not invest in socially Sustainable Investments.



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 under the EU Taxonomy.

The Fund's investments identified as #2 Other in the above diagram will be held in equity securities that do not contribute towards the Fund's promoted characteristics, cash and/or derivative instruments.

Any equity holdings not positively aligned with the promoted E/S characteristics are held in order to meet the fund's investment objective: to achieve long term capital appreciation. All positions are assessed under the North American Fund Framework to ensure their compliance with minimum social safeguards, here meaning all investable positions must comply with the minimum requirements of the North American Fund Framework.

Up to 20% of the Fund's investments may be held in cash and/or derivative instruments, in line with the Fund's investment policy. There are no minimum environmental or social safeguards applicable to these investments.



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?

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

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

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

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

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

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

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

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

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

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



Where can I find more product specific information online?

More product-specific information can be found on the Investment Manager's website:

<https://www.polarcapital.co.uk/Our-Funds/North-American/#!/Literature>