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Investing for a
world of change

Emerging Markets Hard Currency Debt Fund

Sustainable disclosures summary

The Emerging Markets Hard Currency Debt Fund (the Sub-Fund) promotes environmental and social characteristics by making investments in sovereign borrowers that meet the inclusion standards of the Investment Manager's proprietary sustainability framework and by excluding investments in certain borrowers.

How sustainability analysis is incorporated

Assessing potential investments

The Investment Manager, Ninety One takes into account ESG developments throughout the investment process and its proprietary sustainability framework focuses on forward-looking sustainability trends, as represented by an ESG trend score.

To make this sustainability assessment, Ninety One analyses various aspects of a sovereign borrower's ESG policies and maps these against the United Nations Sustainable Development Goals. It then performs a qualitative assessment of forward-looking trends for each of these ESG aspects and assigns an aggregated ESG trend score that ranges between -3 to +3. The Sub-Fund does not invest in sovereign borrowers with the lowest ESG trend score of -3.

At least 50% of the Sub-Fund's sovereign borrowers will have an ESG trend score of zero or higher. However, if the aggregated ESG trend score for the benchmark is below zero, the Sub-Fund will maintain a positive ESG trend score relative to its benchmark.

From a governance perspective, Ninety One's preference is for sovereign borrowers that exhibit positive governance practices, such as enhancing the capacity and integrity of institutions, engaging in structural reforms and ensuring effective regulation.

As part of Ninety One's proprietary tools, it uses a Climate & Nature Sovereign Index (CNSI) and a Net Zero Sovereign Index to help inform its qualitative analysis, particularly when it comes to analysis of climate action and climate risk adaptation.

Investments the Sub-Fund avoids

When investing in sovereign bonds, the Sub-Fund avoids markets that Ninety One deems to pose the highest sustainability risks – as reflected in the lowest ESG trend score (-3) within Ninety One's ESG assessment framework.

Monitoring investments

Ninety One monitors all holdings in the Sub-Fund on an ongoing basis. A holding may be sold for a range of reasons but in particular, if it is determined that the investment case for the holding has weakened or it no longer satisfies the investment objective and policy of the Sub-Fund. Such sales will take place over a time period to be determined by Ninety One, taking into account the best interests of Shareholders of the Sub-Fund.

Engaging with sovereigns

As investors in sovereign assets, Ninety One is in a privileged position to have access to EM policymakers. This privilege comes with a responsibility to engage on ESG matters. Ninety One takes a holistic approach to sovereign engagement and believes the most effective engagement involves repeated interaction on specific, actionable topics. It engages with policymakers on country trips – both virtual and in-person when possible. These trips give Ninety One access not just to finance ministries and central banks, but also other parts of government, including executive offices and energy ministries. Ninety One engages with government officials on ESG issues in one-to-one meetings, with bond roadshows and IMF bi-annual meetings providing additional forums for engagement. It also works with NGO partners and industry bodies to provide a collective voice and shape the debate. Ninety One engages broadly on matters that span the entire ESG spectrum, but mainly focuses strategic engagements on two areas where it feels it has strong expertise: climate and nature risks (where it applies its proprietary Climate and Nature Sovereign Index and Net Zero Sovereign Index work), and budget transparency.

Important information

Please refer to the important information section in the long form Article 10 report. This document is the copyright of Ninety One.

