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# Emerging Markets Sustainable Blended Debt Fund

## Sustainable disclosures summary

The Emerging Markets Sustainable Blended Debt Fund (the Sub-Fund) aims to provide investors with income and capital growth by investing across a broad range of emerging market fixed income assets.

In making investment decisions, Ninety One, the Investment Manager places a heavy emphasis on proprietary, forward-looking ESG scores to focus on countries with improving sustainability trends. It also makes selective sustainable investments in bonds whose proceeds are used to finance solutions that address environmental and/or social challenges (e.g., green bonds, social bonds and sustainability linked bonds).

Ninety One believes that countries that have strong governance, treat their people well and sustainably manage their natural wealth should see their economies and asset prices outperform in the long run. Therefore, when investing in sovereign bonds, Ninety One prefers borrowers with sustainable practices, good governance and meaningful ambitions towards achieving net-zero carbon.

How sustainability analysis is incorporated

### Assessing potential investments

Sustainability considerations are a key driver of Ninety One's investment decisions for the Sub-Fund. In practical terms it means that proprietary ESG scores carry a 50% weight in the overall scorecards that are used to inform investment decision-making.

To make this assessment and calculate proprietary ESG scores, 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 trend score that ranges between -3 to +3. At least 70% of the Sub-Fund's sovereign investments will have a positive ESG trend score (of 0 or higher). On average, over a rolling five-year cycle, the Sub-Fund's investments in EM sovereign borrowers will have a positive ESG tilt 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.

Ninety One aims to invest a minimum of 15% of the Sub-Fund in sustainable investments, such as green and

sustainable bonds as well as debt issued by development finance institutions, as assessed by its proprietary analysis framework. When analysing supranational, green, social or sustainable bonds, Ninety One uses an approach that is aligned with Emerging Market Investors Alliance's enhanced labelled bond principles. Factors it considers include whether independent oversight is provided and the degree of transparency provided in reporting.

### **Investments the Sub-Fund avoids or keeps to a minimum**

Any non-sustainable investments in a country that scores -1 or less in Ninety One's ESG assessment framework are excluded from the Sub-Fund. At the overall Sub-Fund level, only a small portion (10%) of the Sub-Fund can be invested in bonds issued by countries that are not moving in the right direction – as indicated by a negative ESG trend score – unless it is through a supranational, green, social or sustainable bond.

### **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 the 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.

