Ninety One

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Investing for a world of change

Global Credit Income Fund

Sustainable disclosures summary

The Global Total Return Credit Fund ('Sub-Fund') aims to generate attractive long-term total returns by investing dynamically across a broad range of global credit markets.

The Investment Manager, Ninety One believes that a thorough and thoughtful approach to sustainability is vital for successful long-term outcomes for credit investors. It believes that companies ('borrowers' in the context of a credit fund) with strong ESG characteristics will outperform over time. It also believes the financial strength and long-term viability of any company is intrinsically linked to its relationship with the environment and society. In the future, Ninety One expects there to be a greater focus on company externalities* (both positive and negative) and it expects investment markets to increasingly value and potentially establish a price for these – starting with carbon emissions, but rapidly evolving into other areas. By investing only in borrowers that meet the standards of Ninety One's proprietary sustainability frameworks, and by excluding direct investments in certain sectors or business areas, the Sub-Fund promotes better outcomes in terms of carbon emissions.

How sustainability analysis is incorporated

Assessing potential investments

Ninety One incorporates a robust sustainability framework into its investment decision making. Each potential investment – or borrower – is assessed using a proprietary Sustainability Framework and proprietary Transition Alignment Framework. Both frameworks use a variety of qualitative information and available data, and the outcome of these determines whether the investment meets the standards required by Ninety One. In practical terms, both frameworks feed into Ninety One's ESG scorecards, which allow a comparison between different companies within the same sectors.

Sustainability Framework: This involves an appraisal of the sustainability of each issuer, currently encompassing aspects such as climate change, pollution and waste, natural capital, human capital, social capital, product liability, corporate behaviour, regulatory risk, and good governance.

Transition Alignment Framework: With climate risk becoming an ever more pressing issue for credit investors as the world pursues a transition to net-zero carbon, Ninety One has developed a proprietary transition alignment evaluation framework. This allows it to assess and consistently monitor the transition risk and transition potential of each investment in the portfolio. Under this framework, a transition alignment score for each borrower highlights both potential climate change vulnerabilities and mitigants. The transition alignment score has two underlying elements: a carbon vulnerability score and a business and management assessment. In effect, Ninety One assesses a

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* Cost/benefit imposed on a third party as a result of a company's activities – e.g., air pollution from a factory chimney.

borrower's transition risk alongside how the borrower is positioned to offset this transition risk, as well as the commitment, processes, and governance in place to support that transition.

Ninety One aims for the majority of the borrowers in the Sub-Fund to have at least committed to a credible net-zero pathway before the end of 2030 and to be showing progress on that pathway.

Investments the Sub-Fund avoids

The Sub-Fund avoids sectors deemed to have less favourable sustainable characteristics. As a result, it will not invest in borrowers that (to the best of Ninety One's knowledge) derive more than 5% of their revenue from the following business activities: thermal coal extraction, production of crude oil from oil sands, the manufacture and production of tobacco products, or adult entertainment production or distribution. The Sub-Fund is not precluded from investing in heavy emitters that have credible plans and a solid commitment to transitioning to net-zero carbon emissions. Furthermore, the Sub-Fund will not invest in borrowers (to the best of Ninety One's knowledge) that are directly involved in the manufacture and production of controversial weapons, the manufacture and production of nuclear weapons, or borrowers that Ninety One deem to be in violation of the UN Global Compact principles.

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. Any changes in ESG scores may result in a change in the relative ranking of the company within the relevant sector-specific ESG scorecard mentioned above; this will prompt a discussion at Ninety One regarding what has driven such changes and whether any adjustment to the Sub-Fund is required.

Engaging with companies

Ninety One engages with borrowers in a variety of ways. These range from strategic engagements – where material issues are identified, engagement goals are set, and a plan of action is put in place – through to communication-style engagements – which help Ninety One improve its understanding of potential risks and explain its priorities and expectations to company management.

Although just one part of Ninety One's broader process, these engagements are important in investment decision-making. Where possible, Ninety One uses collective engagement to improve outcomes, this might mean through networks such as Climate Action 100+, CDP (Carbon Disclosure Project) or by coordinating engagements across the organisation, e.g., with equity portfolio management teams.

In recognition of the need to prioritise when it comes to engagement activity, typically Ninety One considers the size of holdings and materiality of ESG risks and opportunities, among other factors, to help focus efforts. The more negative a company's carbon vulnerability score, the bigger the transition risk, and depending on the corresponding business and management score, Ninety One identifies where its engagement focus should be. It's the combination of the two scores that's important in terms of driving engagements – i.e., showing Ninety One where a borrower is coming up short in its transition process and how it can help improve that trajectory.