Ninety One

Global Sustainable Equity Fund

Sustainable Finance Disclosures

Summary

Global Sustainable Equity, the Sub-Fund actively invests in the shares of companies that Ninety One, the Investment Manager considers leaders in their industries and regions for their approach to sustainability. These include companies that have operations and/or business models that reduce harmful effects on society and the environment, or whose products and services benefit society and the environment.

Given its sustainable investment focus, there are also certain types of companies that the Sub-Fund will not invest in, such as companies that generate meaningful revenues (over 5% of their total revenues) from making or selling tobacco products; extracting or generating power from coal; and the exploration, production and refining of oil and gas.

To assess the social or environmental characteristics of a company, Ninety One appraises a company's externalities. Externalities are the effects (beneficial or harmful) that a company has on society and the environment, whether as a result of its business operations or via its products and services. Broadly, Ninety One examines three categories of externality for each company: natural capital, social capital and human capital. Natural capital refers to how a company uses or impacts natural resources, for example by generating greenhouse gases, improving or harming biodiversity, using water, and generating and managing waste. Social capital relates to policies, programmes and spending that may impact people and communities. Human capital relates to employee training and development. Where possible, Ninety One will quantify these externalities, with a view to understanding how they may influence the future growth and profitability of the company (positively or negatively).

Identifying companies for the portfolio

To identify companies for the portfolio, Ninety One first applies a screen based on liquidity, competitive advantages and any issues that would exclude the company from a sustainability perspective. It then conducts more detailed research on the companies that pass the screen, including on the following areas:

- Externalities (described above): Ninety One thoroughly explores a company's material externalities (both positive and negative) and seeks to understand the steps the company takes to manage its externalities across natural, human and social capitals. Ninety One pays particular attention to the company's plans for net zero and whether it has set any targets for emissions reduction. Ninety One aims for an increasing proportion of the companies in the portfolio to have credible net-zero emissions targets, to reach 100% of the portfolio by 2030 or sooner.
- Culture assessment: A pre-determinant for a company to be added to the portfolio is that a culture assessment of the company has been made, using Ninety One's proprietary corporate-culture framework. This framework draws on insights from company meetings, academic collaborations, expert-network access and employee resources.
- Financial analysis: In this step, Ninety One assesses a company's financial characteristics and valuation. The analysis is focused on understanding the extent to which a company has enduring competitive advantages and if it has a durable and resilient outlook. On valuation, the assessment is focused on identifying underappreciated value and looking to assess whether the market is recognising the company's sustainability credentials.

In conducting this research, Ninety One uses a wide variety of sources of information, partly because sustainability-related data is often incomplete. The sources used include company-reported data (e.g., on carbon emissions); data from third-party providers that specialise in environmental, social and governance (ESG) data; estimates; and qualitative analysis.

Ninety One monitors all companies in the portfolio on an ongoing basis. It may sell a portfolio holding if it determines that the investment case for a company has deteriorated, including if a company no longer meets its sustainability standards.

Engagement with a company's management team forms an important part of Ninety One's process and monitoring. It will consider engagement with a company's management team where it identifies opportunities to effect positive change, such as with respect to the company's net-zero transition plans.

European regulation requires that investment managers specify how much of a portfolio will be invested in certain types of investment. For Global Sustainable Equity, at least 90% of its assets will be aligned with environmental and social characteristics, and at least 75% of assets are intended to be invested in "sustainable investments", as defined by the SFDR. Finally, at least 1% of its assets will be aligned to the EU taxonomy.

The Global Sustainable Equity strategy publishes an annual sustainability report for investors, which provides a profile of every company in the portfolio from a financial and sustainability perspective.

No sustainable investment objective

This financial product promotes environmental or social characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 75% of sustainable investments (a) with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy, or (b) an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy, or (c) with a social objective

Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by making investments in companies that meet the standards of the Investment Manager's proprietary sustainability framework and by excluding direct investments in certain business groups or activities.

The Sub-Fund invests across various areas in which the Investment Manager sees opportunity to promote environmental/social characteristics, examples of these:

- environmental characteristics can include transition to net zero and climate change amongst others; and
- social characteristics can include digital infrastructure, healthcare and financial inclusion amongst others.

Details of the proprietary sustainability frameworks and information on exclusions are explained in the 'Investment strategy' section below.

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

Investment strategy

Sustainability Framework

The Investment Manager uses a proprietary sustainability framework to analyse the material harmful and/or beneficial effects that a company has on society or the environment. The analysis is supported by a variety of quantitative and qualitative information including publicly available sources, third party data, proprietary models and research reports.

The Sub-Fund takes a positive inclusion approach which means that the Investment Manager focuses on investing in companies it believes to be leaders in their industry sectors and geographies in their approach to sustainability. Based on the Investment Manager's sustainability framework, these companies have policies, operations and/ or business models that aim to manage their harmful effects on society and the environment, or whose products and/or services seek to benefit society and the environment.

The Investment Manager will quantify the externalities where possible and will favour investments in companies that it considers to have business models and targets in place to manage the reduction of negative externalities on society and the environment, as well as in companies with products and services that have positive externalities on society and the environment.

Using its sustainability framework, the Investment Manager undertakes sustainability reviews of industry business groups which serve two purposes:

- to help identify potential business groups that should be excluded from the Sub-Fund
- to provide context for the subsequent fundamental research that is carried out on individual companies when considering them for inclusion in the Sub-Fund.

When researching individual companies, the Investment Manager includes an assessment of:

- whether the company exhibits the characteristics of a sustainability leader within its industry sector;
- company net zero transition plans: the Investment Manager will increasingly look to invest in companies that have, or are striving to have, credible net zero transition plans (i.e., plans to reduce greenhouse gas emissions), such as those companies committing to science-based targets; and
- company culture using a proprietary framework (believing this to be a source of persistence as a sustainability leader).

The Investment Manager aims for at least 25% of companies in the Sub-Fund to have committed to credible net zero emission targets today, at least 50% of companies in the Sub-Fund to have credible targets set by 2025 or sooner and 100% of companies in the Sub-Fund to have credible targets set by 2030 or sooner.

Engagement with a company's management team forms an important part of the Investment Manager's process and monitoring. The Investment Manager will consider engagement with a company's management team where it identifies opportunities to effect positive change, such as net zero transition plans.

Exclusions

As referred to above, for the Sub-Fund, the Investment Manager also seeks to exclude direct investments in certain business groups and activities (in some cases subject to specific revenue thresholds). The Investment Manager's approach to exclusions for the Sub-Fund is based on the conclusions of its sustainability framework.

As a result, the Sub-Fund will not invest in companies that derive more than 5% of their revenue from the following business activities (to the best of the Investment Manager's knowledge):

- the manufacture and sale of tobacco products;
- thermal coal extraction or power generation;
- the exploration, production and refining of oil and gas; or
- the manufacture and production of conventional weapons or civilian firearms.

In addition, the Sub-Fund will not invest in companies (to the best of the Investment Manager's knowledge):

- are directly involved in the manufacture and production of controversial weapons (including biological and chemical weapons, cluster munitions and anti-personnel landmines);
- are directly involved in the manufacture and production of nuclear weapons, inert ammunition and armour containing white phosphorus;
- increase the production of, or capacity for, coal related products/services or coal-based power generation;
- increase the production of, or capacity for, unconventional oil and gas products/services; or
- the Investment Manager deems to be in violation of the UN Global Compact principles.

More information on the Investment Manager's current sustainability criteria, including the rationale behind not investing in certain business groups and activities, can be found in the Literature Library on the Investment Manager's website.

Over time, the Investment Manager may, in its discretion, elect to apply additional exclusions to its strategy that it believes are consistent with the Sub-Fund's investment policy. Such changes will be disclosed on the Investment Manager's website, as they are implemented and subsequently updated in this Prospectus at the next available opportunity.

Additional Considerations

The sustainability framework is integrated throughout the investment process. The Investment Manager's fundamental analysis is supported by a variety of information including publicly available sources (e.g., company sustainability reports), third party data (e.g., CDP carbon disclosure reports), proprietary models as well as the experience, discretion and judgement of the Investment Manager.

Engagement with a company's management team forms an important part of the Investment Manager's process and monitoring. The Investment Manager will consider engagement with a company's management team where it identifies opportunities to effect positive change such as improved carbon disclosure and net zero emission targets.

The Sub-Fund's holdings will be monitored on an ongoing basis by the Investment Manager. 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 been 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 the Investment Manager, taking into account the best interests of the Shareholders of the Sub-Fund.

Good governance

The Investment Manager follows an internal investment framework to analyse any governance issues related to investee companies. This is rooted in widely accepted governance principles which are outlined in the Investment Manager's Ownership policy on its website.

The following corporate governance themes are core to Ninety One's policy in relation to managing governance related issues and determining good governance:

- Leadership and Strategic Control, including board diversity, independence and engagement;
- Alignment with the long term, including remuneration and governance of sustainability issues;
- Climate change, including adequacy of management and disclosure of risks;
- Protecting capital through capital management and preserving shareholder rights; and
- Audit and disclosure, including financial reporting quality and auditor competence.

Third party data complements the governance assessment.

For the Sub-Fund, assessing the good governance practices of companies is part of the fundamental analysis that the Investment Manager performs on investee companies and through the ongoing monitoring of holdings. As part of the Investment Manager's assessment of company governance, areas such as management structures, employee relations, remuneration of staff and tax compliance are taken into account.

Where a governance issue is identified, the Investment Manager may engage directly with company management on this issue and /or exercise proxy voting rights in an effort to catalyse change.

Proportion of investments

Minimum proportion of assets used to meet environmental or social characteristics promoted by the Sub-Fund (i.e. '#1 Aligned with E/S characteristics') is 90% of its assets. At least 75% of assets held in the Sub-Fund are sustainable investments within the meaning of Article 2(17) SFDR. Sustainable investments can comprise of those with environmental objectives, social objectives, or a dual combination of both environmental and social objectives. Finally, at least 1% of its assets will be aligned to the EU taxonomy.

Monitoring of environmental or social characteristics

A combination of sustainability indicators and qualitative commentary from the Investment Manager alongside these indicators are used to demonstrate the attainment of the environmental and social characteristics promoted by the Sub-Fund.

Sustainability indicators that will be monitored For direct equity investments, include:

- Scope 1, 2 and 3 company carbon footprint (in tonnes of CO_2e per US$m invested)
- Weighted-average carbon intensity (in tonnes of CO_2e per US$m of revenue)
- Proportion of disclosure (% of companies in the portfolio which disclose carbon emissions figures)
- Percentage of holdings with credible net zero transition plans in place
- Percentage of holdings, where applicable, contributing to the following environmental and/or social objectives:
  - financial inclusion
  - digital inclusion
  - access to education
  - healthcare impact
  - climate adaption
- Percentage of companies invested in the business groups or activities (in some cases subject to specific revenue thresholds) prohibited under the Sub-Fund's exclusions criteria
- 'Carbon avoided' (in tonnes per CO_2e per US$m invested) for sustainable investments with an environmental objective

'Carbon avoided' is the carbon emissions avoided by using a product or service that has less carbon emissions than the status quo, thereby contributing to decarbonisation.

'Financial inclusion' means the access to useful and affordable financial products and services that meet the needs of underserved individuals and businesses delivered in a responsible manner.

'Digital inclusion' relates to the provision of access to products and/or services that support digital take-up and infrastructure expansion.

'Access to education' relates to the provision of access to high quality educational and training products and/or services for underserved groups.

'Healthcare impact' relates to the provision of access to products and/or services that facilitate access to healthcare in underserved or underperforming markets.

'Climate adaption' relates to the provision of products and/or services which mitigate against the impacts of climate change, driven by longer-term shifts in climate patters and/or acute event-driven climate risks.

Over time, the Investment Manager expects to include additional relevant sustainability indicators for monitoring as data becomes more readily available.

The attainment of the environmental and social characteristics promoted by the Sub-Fund, and the sustainability indicators of the financial product, are monitored by various areas of the business. Information obtained from this monitoring can contribute to a sell decision in a position if the Investment Manager deems that the company no longer meets the standards of the Investment Manager's proprietary sustainability framework

Methodologies for environmental or social characteristics

The Investment Manager uses an appraisal of a company's externalities as the method to measure how the social or environmental characteristics promoted by the financial product are met. The Sub-Fund will favour investments in companies that it considers to have business models and targets in place to manage the reduction of negative externalities on society and the environment, as well as in companies with products and services that have positive externalities on society and the environment.

The externalities appraised relate to natural capital, social capital and human capital. Natural capital is the use of natural resources across dimensions including carbon emissions, biodiversity, water usage and waste management. Social capital relates to the policies, programmes and spending aimed at a range of stakeholder including health and safety. Human capital relates to employee training and development.

This qualitative assessment is supported by data including the Sustainability indicators as described above.

There is a specific methodology to measure 'carbon avoided'. The Investment Manager identifies companies that typically generate at least 50% of their revenue from areas deemed by the Investment Manager as contributing to positive environmental change and that have products and services which genuinely avoid carbon.

The Investment Manager works with leading carbon-data providers to estimate whether related companies have products and services that both avoid carbon and can quantify that carbon avoided. A document describing the full methodology is available on request.

A range of approaches are used to obtain or estimate carbon avoided. Company reported carbon avoided is used where available. Where the Investment Manager is comfortable with the calculation, it will use a company's reported carbon avoided to support estimates for peers. However, few companies currently report carbon avoided. Consequently, the foundation of the methodology is 'use of sold product' (UOSP) Scope 3 emission data, which can indicate the relative efficiency of a company's products versus the average of the sector – this relative efficiency in carbon emissions is the carbon avoided.

There is a specific set of criteria to determine whether a company contributes to financial inclusion, digital inclusion, access to education, healthcare impact and climate adaption. A document describing these methodologies is available on request.

Data sources and processing

The Investment Manager uses a variety of third-party data service providers that specialise in the provision of Environmental, Social and Governance (ESG) data to measure the attainment of the Sub-Fund's environmental and social characteristics. Ninety One's primary ESG data service providers are MSCI, ClarityAI and S&P Trucost that aggregate company reported data for use by the Investment Manager and provide estimated/modelled data where data is not available. This may be supplemented by proprietary ESG analysis, equivalent, or internally estimated data. As the Sub-Fund invests across many jurisdictions there is great variability in data availability and quality. The Investment Manager mitigates this by using reputable third-party sources and may engage with vendors where there is disagreement with the output of the data.

Sustainability data vendors are reviewed by internal stakeholders prior to onboarding. This process helps develop an understanding of the quality of data, coverage, and estimation methods. Based on this review the Investment Manager determines acceptable levels of data quality. The Investment Manager's analysts perform a key role in the review and support process to promote continuous improvement of data quality through engagement with both companies and data vendors.

The level of estimation can vary by data type and region. Carbon data quality has significantly improved over the last few years. Scope 3 data remains subject to a high level of estimation.

Limitations to methodologies and data

Measuring how the environmental or social characteristics are met (i.e. its sustainability indicators) is dependent on the availability and quality of data. The Investment Manager aims to use reported data from companies and government sources, however, in some cases may need to approximate data where appropriate data is not available. Approximation is typically done by vendors including estimated data. Data coverage is improving but may not always be representative of corporate and sovereign activity. When appropriate the Investment Managers aims to disclose where estimated or modelled data is used as well as the need to exercise caution when using this data for decision making or comparative purposes.

Where limited data is available, the Investment Manager uses its research and due diligence process to assess environmental and social characteristics.

Due diligence

Once a company comes through the initial filtering based on liquidity, competitive advantages and exclusions, due diligence is conducted including on the following areas:

- Externalities research: To carry out externalities research, the Investment Manager makes use of the team's industry group sustainability reviews for context, thoroughly exploring a company's material externalities (both positive and negative) and understanding the steps the company takes to manage its externalities across natural, human and social capitals. The Investment Manager pays particular attention to the company's plans for net zero and whether it has set any targets for emissions reduction.
- Culture assessment: A pre-determinant for a stock purchase is that a culture assessment of the company has been made, using the Investment Manager's proprietary corporate-culture framework. This framework draws on insights from company meetings, academic collaborations, expert-network access and employee resources.
- Financial analysis: In this step, the Investment Manager assess a company's financial characteristics and valuation. The analysis is focused on understanding and evaluating if a company has enduring competitive advantages and if it has a durable and resilient outlook. On valuation, the assessment is focussed on evaluating and identifying underappreciated value and looking to assess whether the market is recognising the company's sustainability credentials.

Engagement policies

The Investment Manager implements active stewardship and its rights as shareholders to preserve and grow its clients' assets, including engagement with the companies in which it invests. Engagements take place as an integral part of the investment process, with the investment teams initiating engagement relevant to environment, social and governance characteristics based on their investment priorities as identified through their fundamental research. The extent of engagement activities will vary depending on the materiality of any adverse impacts, ability to exert influence, and the nature and severity of the potential issue. Where engagements on sustainability issues are identified as a critical opportunity to create or preserve value, and where the Investment Manager believes it can have influence, these are classified as strategic engagements. Strategic engagements involve an agreed engagement plan with outcomes identified, agreed between the Investment and Sustainability teams.

In addition, in relation to Article 8, where significant adverse impacts are identified or there is potential non-compliance with good governance requirements the investment team will identify the materiality of these and the potential need for engagement to address these issues, in conjunction with the Investment Risk and Sustainability teams. Aligned with the Investment Manager's broader approach to engagement and stewardship, individual engagements will be categorised as general, strategic or advocacy (collaborative) engagements depending on the materiality and form of the engagement. Further information on the Investment Manager's approach to engagement is available on the Ninety One website.

For the Global Sustainable Equity Fund, objectives with respect to environmental and social characteristics are pursued through engagement as follows.

The Investment Manager meets management teams and engages with portfolio companies, with an explicit focus on the adoption of net-zero commitments and science-based targets, as well as to engage on any material sustainability or financial matters. Engagement is company-specific and generates information that feeds back into portfolio monitoring, including valuable insights into company progress and any culture changes. The Investment Manager sets engagement and advocacy goals and reports against these in the Annual Sustainability Report for Global Sustainable Equity.

Where the Investment Manager believes engagement is ineffective or companies are not committed to change, it may use the ultimate lever as an investor, which is to reallocate its capital.

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Telephone calls may be recorded for training, monitoring and regulatory purposes and to confirm investors' instructions.
For more details please visit www.ninetyone.com/contactus

Important information

All investments carry the risk of capital loss. Past performance is not indicative of future performance.

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