Sustainability / ESG Disclosure

Phoenix Asset Management Partners Limited (‘PAMP’)

18 February 2021

Introduction

Although the UK has now formally left the EU PAMP would like to show commitment to sustainability and its EU clients by making the disclosures as required by Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR).

Sustainability risks

Sustainability risk means: *an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment* (EU 2019/2088)

More commonly, this is known as ESG risk. Any assessment of ESG risk is complex as this type of data is also often difficult to obtain, inaccurate or out of date. There is no common requirement for all entities to publish ESG data using the same data points. Although it is expected that this will improve over time the industry in this respect is still nascent.

PAMP’s integration of sustainability risks in investment decision-making

The Phoenix approach to ESG within our investment framework is constantly evolving.

The analysis of material ESG factors will be integrated into our proprietary system for evaluating investments, DREAM (Dynamic Relative Evaluation and Assessment Model). Factors assessed are: Environmental factors, social and governance factors, and environmental and social attitude.

Governance has always been a key element of our investment process, but our aim is to enhance our analysis from an environmental and social perspective.

From an environmental perspective, we will measure the extent to which a business’ future profitability could be impacted by the environmental sustainability of the current business and the likely threat/benefit from changes in the future.

From a social perspective, we will measure the way in which a business manages its social obligations. Long-term, there seems to be a correlation between the way a business manages its social obligations and how it performs financially. In some cases, implicit in a company’s business model might be the exploitation of certain social obligations which we aim to identify during this analysis.

It will also consider the risk factors facing a business because, just as there is an upside for businesses that manage their social obligation well, the downsides for those that do not, can be significant.

We will rate the extent to which a management does what is possible given their circumstances. For example, some managements could do a great job in difficult businesses especially when compared to other industry participants.

Whilst ESG factors have always played a part in our investment process, the objective in evolving our approach is to aid our investment thinking and help identify businesses which will have an enduring future franchise.

Our aim is not to exclude certain sectors or companies from our investment universe, but better understand their impact from an ESG perspective. It our belief that future winners will be the best operators from an ESG perspective in the industry in which they operate.

We do formally restrict tobacco and arms companies from our investment universe at present and have investment vehicles which do not invest in fossil fuel companies.

Transparency of adverse sustainability impacts

Sustainability and its quantitative and qualitative impacts are an important and growing consideration for PAMP. PAMP regards governance matters as part of its normal investment process and a formal review and rating of environmental and social matters is being developed.

Therefore, while PAMP has determined that it cannot commit at this time that it formally considers sustainability risk as reference by the SFDR or is able to report as per the draft regulatory technical standards, it is expected that sustainability considerations will become an embedded part of the investment process during 2021. Equivalent legislative requirements are expected from the UK, after which PAMP will reassess their position.

On the basis that PAMP has determined that it does not at this time formally consider sustainability risk as referenced by the SFDR it has not performed an assessment of the likely impact of sustainability risks on the returns of its investment products or those of its clients.

Remuneration policies in relation to sustainability risk

At the heart of PAMP's Remuneration Policy is the need to ensure that the structure of an employee's remuneration is consistent with, and promotes, sound and effective risk management and that it does not encourage risk-taking which is inconsistent with the risk profile of funds it manages.

Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations, internal rules and adherence to effective risk management. For example, attendance of compliance training and the correct submission of pa dealing requests is monitored and reviewed for all employees. For the investment team in particular, a balanced and holistic analysis of investments is expected, where as much attention is paid to factors such as governance as an entity's annual returns. All these considerations will factor in an employee's annual appraisal and ultimately their remuneration.

In keeping with PAMP's long term objectives, the assessment of performance will take into account longer-term performance appropriate to the lifecycle of the AIFs. Payment of any such performance related bonuses may need to be spread over a period which takes account of the redemption policy of the AIFs it manages and their investment risks.

The firm sets appropriate and balanced ratios between any fixed and variable components of staff remuneration. Staff are paid sufficiently high levels of fixed remuneration compared to variable remuneration to allow the operation of a fully flexible policy on variable components, including the possibility of paying no variable remuneration.

In both performance measuring and the allocation of variable remuneration, the Directors will make qualitative judgements. Employees will be rewarded according to both their performance and the firm's performance. Assessments will have regard to all aspects of their role not simply returns or client numbers.

Review

This document will be reviewed and updated on at least an annual basis.