

Redhedge Environmental, Social and Governance (ESG) and Sustainable Investing Policy Statement

Introduction

Redhedge Asset Management LLP (“Redhedge”) is committed to responsible, ethical investing. This Environmental, Social and Governance (ESG) and Sustainable Investing Policy Statement is intended to articulate how Redhedge incorporates material ESG factors, including sustainability risk assessment, into its investment decision making process, and asset monitoring and review.

Sustainability Approach and Article 8 Status

The Redhedge Relative Value Corporate Bonds fund promotes environmental, social and good governance characteristics and is classified as an Article 8 fund in accordance with the Sustainable Finance Disclosure Regulation (“SFDR”).

The Redhedge Relative Value UCITS fund is currently in the process of obtaining approval for Article 8 classification status.

Redhedge’s funds are compliant with the United Nations’ Global Compact.

Redhedge’s fund offerings do not have a sustainable investment objective, nor do they utilise a benchmark.

ESG and Investment Decision-Making

Redhedge is a specialist relative value credit investment manager. In managing its investments, Redhedge seeks to promote general environmental, social and good governance characteristics.

Redhedge does this by assessing, determining, and subsequently investing in, issuers with products and activities that are environmentally and socially positive and have good governance practices and by distinguishing, and avoiding, investing in issuers which, in the nature or operation of their business activities, cause social or environmental harm or have poor governance practices.

Our funds do not specifically promote, or purport to promote, any particular individual environmental (“E”), social (“S”), or governance (“G”) characteristic. Certain characteristics are, however, considered particularly relevant for consideration, and deemed to constitute important or “strong” ESG characteristics. These include, inter alia, green or renewable energy, the protection of human rights and ethical business practice.

Redhedge utilises a range of external and internal information sources and tools including a comprehensive internal ESG framework that integrates ESG characteristics, and comparative assessment, into the investment and valuation process. Investments are given separate environmental, social and governance scores to allow us to assess them from an ESG perspective and compare and determine appropriateness.

Issuers are prioritised that; have a high E, S, or G, or overall ESG, rating; are best-in-class (within sector) or; have demonstrated significant positive ESG momentum. In our valuation process, we place a valuation premium on bonds that have positive ESG characteristics (including, for example, those that are green, social, or sustainability linked or where the proceeds of the bonds are used for ESG-related activities) so in this way Redhedge is intrinsically encouraged to invest in bonds that are environmentally and/or socially positive and/or with good governance practices.

ESG consideration in investment decision-making may include derivatives (in accordance with investment objectives and strategy) as part of a particular fund’s promotion of ESG characteristics. Derivative investments may include, for example, taking synthetic long positions in bonds issued by issuers with strong ESG ratings and synthetic short positions in bonds with poor ESG ratings.

Redhedge also avoids, by seeking to minimise investment in, products, activities and sectors which are determined as significantly detrimental from an environmental, social or governance perspective, for example if the issuer has a very low ESG rating or is worst in class within its sector or it is flagged for very severe controversies or ESG contraventions. We strive to minimise our investment in companies whose primary focus is the production or distribution of tobacco.

Such avoidance includes, inter alia, any net long position in bonds issued by issuers flagged as non-compliant with the UN Global Compact (“UNGC”). Screening is conducted to reduce exposure to issuers with poor ESG scores and thus to minimise investment in

issuers assessed as detrimental to good environmental, social or governance standards. This includes screening for controversies, environmental data including emissions, non-compliance with UNGC guidelines or new or altered business involvement or information. As well as informing and facilitating avoidance where for example, a severe controversy is identified, it also informs exclusion determination.

Exclusion Criteria

Redhedge has binding exclusion criteria (encompassing all asset portfolios and geographical areas), in accordance with which, we will exclude investment in (so will not have exposure to) companies that derive a material proportion of their revenue from areas determined to be inimical to the promotion of environmental, social and good governance characteristics. We seek to exclude investment in issuers where their revenue is materially derived from one or more of the following fields:

- Controversial Weapons
- Thermal Coal
- Gambling
- Pornography / Adult Entertainment
- Depleted Uranium Ammunition

We maintain an exclusion list (that is updated no less than annually) of prohibited counterparties and this is monitored in conjunction with our avoidance criteria.

Should an issuer on the excluded list be deemed to be transitioning to a more sustainable and responsible business model and issue a bond accredited as a green bond then investment in that green bond may be permitted with the explicit authorisation of the CIO.

Sustainability Risk

Sustainability risk is defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the relevant investment (an "ESG Event").

Redhedge have determined that sustainability risk is not likely to have a significant impact on the financial returns of our fund offerings which are typically market neutral.

Specific and overarching sustainability risks, and their probability and impact, are considered as part of our assessment and monitoring of both potential and actual investment and fund performance. Sustainability risks are monitored qualitatively and quantitatively through a review of ESG data. This includes data published by the issuer (where relevant) and/or selected external providers to determine the initial level of sustainability risk and whether that level of sustainability risk has subsequently changed, as well as an ongoing review of indicators, which help guide the identification and prioritisation of sustainability risks, both in absolute terms for a single issuer, as well as relative for the single issuer to the portfolio or a given watchlist, or the portfolio as a whole. The review includes but is not limited to inherent risks arising from climate change, from transition of the economy, or from lack of water access.

Our funds aim to prioritise investment in issuers with higher ESG ratings, potentially reducing exposure to sustainability risk.

Please always refer to the Risk Factors in the specific fund Prospectus for more information on the challenges of accurately assessing sustainability, or any other risk.

Taxonomy Disclosures

The EU criteria for environmentally sustainable economic activities (“EU Taxonomy”) sets out expectations for investments that are specified as aligned with the Taxonomy Regulation. The investments of our funds, either in part or in whole, are not specified as aligned with the EU Taxonomy requirements.

At this time, it is not possible to provide standardised and comparable disclosures on the proportion of environmentally sustainable investments or to commit to a minimum percentage of such investments. While there are investments in our funds that are considered to be sustainable investments, and are in economic activities that contribute to an environmental objective and may be eligible to be assessed against the EU Taxonomy technical screening criteria, it is not currently possible to describe:

- (a) the extent to which the investments of the Fund in question are in economic activities that qualify as environmentally sustainable and are aligned with the Taxonomy Regulation;
- (b) the proportion, as a percentage of the Fund in question’s portfolios, of investments in environmentally sustainable economic activities that are aligned with the Taxonomy Regulation; or

(c) the proportion, as a percentage of the Fund in question's portfolios, of enabling and transitional activities (as described in the Taxonomy Regulation)

This situation is under review and as soon as sufficient reliable, timely and verifiable data on fund investments can be produced, the information referred to above will be provided, and this disclosure (and relevant offering documentation) will be updated.

Consideration of principal adverse impacts

Redhedge does not specifically consider, or quantify, the adverse impacts of its investment decisions on sustainability factors within the meaning of Article 4(1)(a) of the Sustainable Finance Disclosure Regulation ("SFDR"). Sustainability factors include environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. This approach is applied on the basis that Redhedge has fewer than 500 employees and the current size and scale of its investment business is such that it cannot have any meaningful impact on ESG factors.

Redhedge will continue to review its approach and at such point it deems it appropriate, the adverse impacts of its investment decisions on sustainability factors, within the SFDR framework, will be considered.

Remuneration

The remuneration policy of Redhedge is consistent with its approach to the integration of sustainability risks. Redhedge has established policies and procedures in relation to remuneration which, in Redhedge's opinion, are proportionate and consistent with sound and effective risk management, including the management of sustainability risk, and in accordance with applicable requirements.

Sources of Data

Redhedge utilises a range of internal and external data sources to inform its ESG analysis and decision-making. Specialist external sources include MSCI and Sustainalytics.

Enquiries

If you have any questions with regard to the management of ESG and sustainability at Redhedge, please contact us at info@redhedge.com.