

Egerton acknowledges and welcomes the growing focus on, and interest in, sustainable and responsible investment. This document sets out the policies of Egerton Capital (UK) LLP (“Egerton”) on the integration of sustainability in its investment decision-making process.

Introduction and application of SFDR and other ESG regimes to Egerton

The EU Sustainable Finance Disclosure Regulation (“SFDR”) requires an in-scope firm to formalise how sustainability is integrated into its business and processes, and to make new public and investor-facing disclosures on sustainability matters. As the SFDR applies directly in respect of several of the funds managed by Egerton, Egerton has chosen to comply voluntarily with certain requirements of the SFDR in respect of all of its activities.

Accordingly, this policy applies in respect of all investment management activities carried on by Egerton and, therefore, in respect of all investment funds managed directly or indirectly by Egerton (each a “Fund” and, together, the “Funds”). It also applies in respect of the activities of its subsidiary and sub-investment manager, Egerton Capital (US), LP.

Egerton recognises that the world faces growing environmental, social, and governance-related risks. Egerton’s fundamental, research-intensive stock-picking approach to investing naturally leads us to seek to identify well-governed companies with sustainable, long-term business models and **certain ESG factors therefore form an important part of its stock selection process** in respect of long and short positions.

However, sustainability factors will not necessarily be the determining factor for an investment. Egerton may permit a Fund to hold investments that have negative sustainability factors.

Egerton became a signatory to the UN Principles for Responsible Investment (UNPRI) in April 2021, and a signatory to the UK Stewardship Code in September 2022.

Egerton is subject to the FCA’s Taskforce on Climate-related Financial Disclosure (“TCFD”) regime.

Purpose of this policy

Under SFDR, “sustainability risk” means 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 an investment. This policy therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of a Fund’s investments.

This policy establishes Egerton’s framework to identify, monitor and manage ESG risks for its investors.

For the purposes of SFDR, sustainability risk is not concerned with the adverse impacts of Egerton’s investment decisions on sustainability factors. This is covered by a separate regime under SFDR, which is addressed in section 7 below.

Governance and senior management responsibility

Egerton’s Management Committee is ultimately responsible for the firm’s policies and procedures in respect of sustainability risks, and their integration into investment decision making.

Sustainability risk management

Egerton endeavours to identify potential ESG issues with investee companies at an early stage to minimize any loss to investors. To the extent possible and appropriate, it may attempt to make the appropriate members of the investee company's board aware of them (either directly, or indirectly via the relevant company's investor relations department). Such concerns may include, among other things, corporate governance issues and climate change issues where Egerton believes they have an impact on shareholder value. Alternatively, Egerton may simply sell the relevant position to minimise any loss.

Engagement is also a key part of Egerton's investment process, and is a tool which may be used for sustainability risk management. Egerton considers access to senior management an important part of investment in positions and will generally meet with management half-yearly (at a minimum) to discuss issues such as governance, strategy, and shareholder value. Egerton believes that its engagement with management on such issues is integral to the discharge of its stewardship responsibility and the interests of its clients, and is unlikely to invest in companies where it appears that management is not acting in the best interests of shareholders.

Egerton typically **votes** in favour of routine housekeeping proposals, including election of directors (where no sustainability factors appear relevant).

Egerton typically votes against proposals that make it more difficult to replace board members, and may vote against companies that do not publicly disclose their carbon and other GHG emissions and do not have a credible plan for their reduction.

Egerton maintains records of votes cast, of reasons for voting against the investee company management's recommendations or for abstaining. Egerton may attend general meetings of companies in which the Funds have a major holding, or write formally to the directors of such companies, where this is considered appropriate and practicable.

Egerton has a strong stewardship and shareholder engagement policy, with examples of engagement available on request. Egerton is also subject to the amended EU Shareholder Rights Directive. Please click [here](#) for further information in this regard.

Relevant sustainability risks

As noted above, Egerton endeavours to identify each key environmental, social and governance risk which could, if it occurs, cause an actual or a potential material negative impact on the value of an investment. These are summarised in this section 5.

Environmental sustainability risks for the value of the Funds' portfolios: climate change; carbon emissions; energy inefficiency.

Social sustainability risks for the value of our clients' portfolios: data privacy; consumer protection.

Governance sustainability risks for the value of our clients' portfolios: inadequate external or internal audit; quality of earnings; infringement or curtailment of rights of (minority) shareholders; bribery and corruption; cybersecurity; lawfulness.

Disclosure of this policy

SFDR requires that an in-scope firm must publish on its website information about this policy. Egerton satisfies this requirement by disclosing a copy of this policy on its website.

SFDR also requires that an in-scope firm must include, in the pre-contractual disclosures for the financial products that it manages, a description of the manner in which sustainability risks are integrated into its investment decisions. Egerton satisfies this requirement by disclosing a separate summary of this policy in pre-contractual disclosures.

For these purposes, "pre-contractual disclosures" means the prospectus or offering document for a fund, and the investment management agreement or other terms and conditions for a portfolio management service.

Consideration of adverse impacts

The SFDR requires an in-scope firm to make a “comply or explain” decision as to whether it considers the “principal adverse impacts” (“PAIs”) of its investment decisions on sustainability factors, in accordance with a specific regime set out in the SFDR. While Egerton is otherwise voluntarily complying with certain aspects of SFDR, **Egerton** has opted not to comply with that regime and **does not consider the principal adverse impacts of its investment decisions on sustainability factors in the manner prescribed by the PAI regime in Article 4 of SFDR.**

Egerton has carefully evaluated the requirements of the PAI Regime in Article 4 of SFDR, and in the draft regulatory technical standards which were published in April 2020 (the “PAI Regime”). Egerton is supportive of the policy aims of the PAI Regime, namely to improve transparency to clients, investors and the market as to how financial market participants integrate consideration of the adverse impacts of investment decisions on sustainability factors. However, Egerton does not currently do so because it would be unable to gather and/or measure all of the data on which it would be obliged by the SFDR to report, or could not do so systematically, consistently, and at a reasonable cost to investors. This is in part because underlying companies or issuers are not widely obliged to, and overwhelmingly do not currently, report by reference to the same data.

Egerton will keep its decision not to comply with the PAI Regime under regular review, by reference to market developments.

Integration of sustainability risks in Remuneration Policy

Egerton’s Remuneration Policy includes information on how it is consistent with the integration of sustainability risks.

In summary, Egerton’s objective is to ensure that its remuneration policy and practices are consistent with, and promote, sound and effective risk management (including sustainability risks, where applicable). The decision to award any variable remuneration to an employee, and the percentage of profits allocated to a partner, are based on an individual’s performance and contribution to the business, in relation to which financial and non-financial criteria are considered such as compliance with risk management and compliance policies (including Egerton’s ESG and Sustainability Risks Policy, where applicable).