

# Pacific Capital UCITS Funds plc

## Article 10 SFDR Website Disclosure in respect of

Name of Fund	Legal Entity Identifier
Pacific Longevity and Social Change Fund	213800LPV4GVQWFRDS98

(the “Fund”)

1 January 2023

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, as amended (“**SFDR**”) requires certain EU-regulated entities (including Pacific Capital UCITS Funds plc, the “**Company**”) to disclose information on a public website regarding the promotion of environmental and/or social characteristics for certain financial products.

This document (hereinafter referred to as the “**Article 10 Statement**”) constitutes the transparency disclosure with respect to the Fund for the purposes of Article 10 of SFDR and is available at the following website: [Single Manager Solutions: Longevity & Social Change \(pacificam.co.uk\)](https://www.pacificam.co.uk/Single-Manager-Solutions/Longevity-&Social-Change)

This Article 10 Statement should be read in conjunction with the latest prospectus of the Company (the “**Prospectus**”) and the Fund’s supplement (the “**Supplement**”) which sets out in detail the investment policy of the Fund and its approach to sustainable investment. The Supplement also incorporates the Annex setting out certain prescribed pre-contractual disclosures required under SFDR (the “**Sustainability Annex**”).

Any capitalised terms appearing in this Statement and not expressly defined herein shall have the meaning given to them in the Prospectus and / or the Supplement.

## Summary

This summary section has been completed in furtherance of SFDR and, in particular, Article 25 of Commission Delegated Regulation (EU) 2021/1288 ("**SFDR Level 2**") and summarises the key information referred to in the remaining sections of this Article 10 Statement.

Classification	The Fund has been classified as one which promotes environmental and/or social characteristics under Article 8 of SFDR.
No Sustainable Investment Objective	The Fund promotes environmental or social characteristics in accordance with Article 8 of SFDR, but do not have a sustainable investment objective as contemplated by Article 9 of SFDR .
Environmental or social characteristics of the financial product	<ul style="list-style-type: none"> <li>• The Fund seeks to promote primarily social characteristics.</li> <li>• The social characteristics promoted by the Fund include extending human life expectancy, to enhance quality of life / well-being, providing capital to accelerate the discovery of life saving drugs and treatments, access to health services, improving education, improving board diversity, improving senior female management representation, ensuring decent work and improving employee rights</li> </ul>
Investment Strategy	<p>The Fund shall implement its strategy by taking exposure to the investment themes of Education &amp; Wellbeing, Longevity Consumer, Healthcare, and Later Living (each as described in further detail in the Supplement), seeking to deliver long term capital growth through investing primarily in equities and equity-related instruments issued by companies linked to the ageing of the population and increasing life expectancy worldwide.</p> <p>The Investment Manager distils an initial investment universe of around 48,000 down to an addressable longevity related universe of approximately 1,200 to 1,800 stocks using a series of steps to consider market capitalisation, location and contribution to the longevity related theme pursued by the Fund. In completing detailed stock analysis, the Investment Manager shall seek out companies with robust top-line growth prospects, market leading products, pricing power in its relevant market and/or cost control, high and/or improving profitability and strong balance sheets.</p> <p>The investment team conducts regular meetings with management teams of investee companies and leverages external research to complement its own fundamental research and analysis.</p> <p>In pursuing the investment strategy, the Investment Manager will have regard to the promotion of social characteristics through the Longevity theme and have regard to the sustainability indicators, binding elements and other factors described in further detail in the Sustainability Annex and herein.</p>
Proportion of investments	The Investment Manager intends to invest a minimum of 95% of the Fund's NAV in investments which attain the environmental characteristics promoted by the Fund. The remainder of the portfolio shall be in investments such as cash and other liquid ancillary assets or investments for hedging or efficient portfolio management purposes.
Monitoring of environmental or social characteristics	The Investment Manager's portfolio management team will implement the various criteria set out in this Article 10 Statement in making investment decisions. The Investment Manager's compliance function will monitor the integration of ESG requirements through a combination of automated, manual and periodic reviews.

Methodologies	The methodologies to measure how the environmental or social characteristics promoted by the Fund is met include (i) the promotion of a longevity theme as outlined herein, (ii) the use of certain principal adverse indicators ("PAIs"), specifically greenhouse gas ("GHG") emissions (Scope 1, 2 & 3), GHG intensity, carbon footprint & board diversity, as a proxy to measure and test how investments are performing regarding environmental and social characteristics, (iii) the application of exclusionary ESG criteria relevant to the longevity themes, resulting in the exclusion of certain sectors that reduce lifespans or health span such as defence and weapons production, tobacco or companies engaged in the production of alcohol as well as environmental factors such as energy, iron and steel production, mining for coal and gas and (iv) the application of Sustainable Accounting Standards Board ("SASB") Scores provided by TruValue Labs, a third party data service provider which analyses various publicly available sources to assess ESG risks and opportunities against 26 ESG categories as defined by the SASB, along with an overall score and a volume score.
Data sources and processing	Data sources used to attain environmental or social characteristics promoted may include both proprietary information and third party data providers including TruValue Labs as described in further detail below. Information and data is sourced from in house analysis, from direct engagement and interaction with companies, and from third parties.
Limitations to methodologies and data	Whilst it is recognised that data availability may impact the extent to which environmental or social characteristics promoted can be measured, this is managed through the use of both proprietary data and data sourced from third party data providers generally with broad capabilities and coverage.
Due diligence	The Investment Manager carries out a detailed upfront analysis of potential investments and ongoing monitoring through quantitative and qualitative analysis which may focus on the investee company's contribution to longevity themes, assessment against the positive ESG scoring process and exclusionary criteria outlined above, target company strategy, performance, risks faced and its commitment to corporate governance and quality and experience of management.
Engagement policies	The Investment Manager Investors believe that sustainability risk issues impact investment value and that better long-term investment outcomes can be achieved through active engagement and by exercising the equity ownership rights held by the Fund. Engagement with investee companies is generally through direct dialogue with the investor relations team, management teams or through exercising voting rights at general meetings. If the Investment Manager thinks a target company is not being managed in the interests of its clients or in a manner consistent with the promotion of environmental or social characteristics as set out herein, it will decide how best to engage with the company to address this.
Designated reference benchmark	The Fund does not have a 'Designated reference benchmark' to attain the environmental or social characteristics promoted.

## **Introduction**

This Article 10 disclosure document sets out information in relation to the sustainable investment approach of the Fund in accordance with the requirements of Articles 23 to 36 of SFDR Level 2. The headings below are in the order mandated by SFDR Level 2 and the information included beneath each heading address the prescribed information to be provided to investors pursuant to the above Articles.

As further described below, the Fund, a sub-fund of the Company, promotes, among other characteristics, certain environmental or social characteristics, provided that the companies and underlying funds in which investments are made follow good governance practices, in particular regarding education and wellbeing, longevity consumer, healthcare and later living. Other characteristics promoted by the Fund include, but are not limited to, extending human life expectancy, enhancing quality of life and well-being, and providing capital to accelerate the discovery of life saving drugs and treatments.

### **1. No Sustainable Investment Objective. (Article 26: SFDR Level 2)**

The Fund promotes environmental or social characteristics as set out below, but does not have sustainable investment as its objective.

The Fund does not commit to making sustainable investments within the meaning of Article 2(17) of SFDR.

### **2. Environmental or Social Characteristics promoted by the Fund. (Article 27: SFDR Level 2)**

The Fund seeks to promote particularly social characteristics.

The Fund seeks to deliver positive returns for investors while promoting positive social development by channeling investment to companies or undertakings which either (a) contribute in some way to longer life-spans, whether by way of developing health-care products or treatments which can help combat disease or prolong life-spans, products which contribute to a healthy life-style or generally provide products or services that promote longer and healthier lives or (b) do not directly contribute to longer life-spans but whose products or services contribute to or enhance the quality of life for older generations (for example entities in such areas as healthcare, education, finance or leisure, whose products or services will contribute in some way to physical or emotional well-being of older generations).

The following list are the social characteristics promoted by the Fund:

- extending human life expectancy;
- enhance quality of life / well-being;
- providing capital to accelerate the discovery of life saving drugs and treatments;
- access to health services;
- improving education;
- improving board diversity;
- improving senior female management representation;
- ensuring decent work; and
- improving employee rights.

### **3. Investment Strategy and Information on how environmental and social characteristics are met. (Article 28: SFDR Level 2)**

The investment strategy of the Fund is to deliver long term capital growth through investing primarily in equities and equity-related instruments issued by companies linked to the ageing of the population and increasing life expectancy worldwide. The Fund shall implement its strategy by taking exposure to the investment themes summarised below and described in greater detail in the "Investment Policy" section of the Supplement.

#### **1. Education & Wellbeing**

The Fund will seek to allocate capital to products or services which promote healthy behaviour through more active lifestyles and balanced nutrition, companies which help improve life expectancy through vaccines or diagnostic screening and to development of products and services which support quality of life in the form of (but not limited to) dental, vision, hearing and security.

#### **2. Longevity Consumer**

The Fund will invest in companies which offer products and services that address the needs of people over the age of 60, such as travel, leisure, beauty, financial planning / wealth management, companionship and home improvement sectors.

#### **3. Healthcare**

The Fund will promote investment in companies which develop or support the healthcare needs of the elderly, including medical devices, regenerative medicine, digital healthcare, home-based care and wearable monitoring equipment care providers to predict and prevent adverse health events.

#### 4. Later Living

The Fund will promote investment in companies that cater to the needs of an expanding elderly population in areas such as infrastructure (senior housing/care facilities), human capital (physicians/nurses) or support services (health insurance/funeral services).

The Investment Manager distills an initial investment universe of around 48,000 companies globally down to an equity investment portfolio of 40-60 stocks. This is achieved by focusing primarily on companies with a market capitalisation of at least USD 2 billion from the top 25 developed and top 25 emerging market countries which takes the investment universe down to approximately 9,000 companies. The team then leverages third party databases and investment research to further narrow down the investable universe to companies that address the longevity and social change themes and promote social and certain environmental characteristics outlined in the previous section. This process results in an addressable longevity related universe of approximately 1,200 to 1,800 stocks. In completing detailed stock analysis, the Investment Manager shall seek out companies with robust top-line growth prospects, market leading products, pricing power in its relevant market and/or cost control, high and/or improving profitability and strong balance sheets.

The investment team conducts regular meetings with management teams enabling a deeper understanding of a company's business model, the quality of its management team and competitiveness of products and services. The investment team also leverages external research to complement its own fundamental research and analysis.

As part of the investment process, the investment team applies exclusionary ESG criteria relevant to the above longevity themes, resulting in the exclusion of certain industries that reduce lifespans or health span such as defence and weapons production, tobacco or companies engaged in the production of alcohol as well as environmental factors such as energy, iron and steel production, mining for coal and gas.

Additionally, the Investment Manager considers Sustainable Accounting Standards Board ("**SASB**") Scores provided by TruValue Labs, a third party data service provider which analyses various publicly available sources to assess ESG risks and opportunities against 26 ESG categories as defined by the SASB, along with an overall score and a volume score. This SASB data feed covers 19,000+ companies with more than 12 years of history and assists in providing coverage for the Fund's investments. Where data is lacking, the Investment Manager will use supplemental data or industry averages to get a greater understanding of an investment's

environmental or social characteristics. The Fund will exclude direct exposure to issuers who fail to meet the relevant internal scoring thresholds set by the Investment Manager.

Although the Fund does not have a sustainable investment objective and does not commit to invest a minimum percentage in "sustainable investments" within the meaning of Article 2(17) of SFDR, certain principal adverse indicators ("**PAIs**") are used as a proxy to measure and test the environmental and social characteristics of investments. Specifically, greenhouse gas ("**GHG**") emissions (Scope 1, 2 & 3), GHG intensity, carbon footprint & board diversity PAIs are used to calculate fund and company scores to measure and test how they are performing regarding environmental and social characteristics. These PAIs help the Fund in analysing the potential negative impact of underlying investments on the environment and society and the Fund will expand the list of PAIs considered as reporting by individual issuers and third party data analysts improves over time.

**4. What proportion of investments are applied towards the promotion of environmental or social characteristics? (Article 29: SFDR Level 2)**

As at the date of the Prospectus, the following allocations apply:

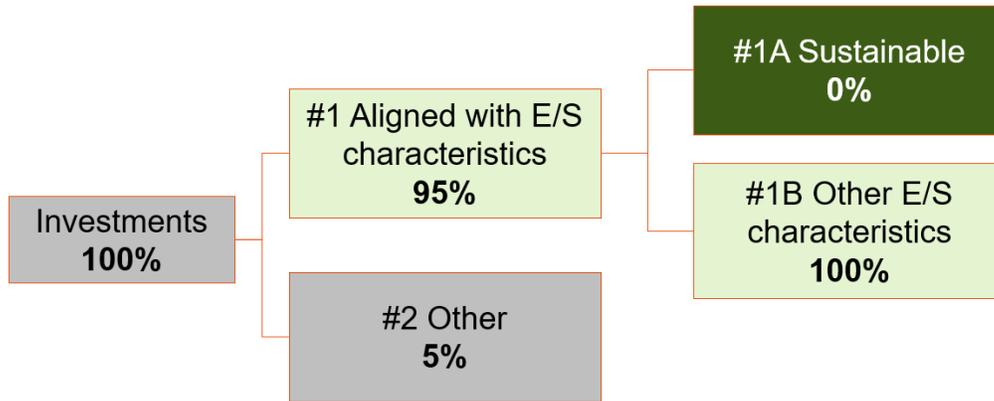
**#1 Aligned with E/S characteristics:** The Investment Manager intends to invest a minimum of **95%** of the Fund's NAV in investments which attain the environmental and/or social characteristics promoted by the Fund.

**#1A Sustainable:** The Investment Manager does not commit to invest a minimum percentage of the Fund's NAV in sustainable investments.

**#2 Other:** The remaining **5%** of the Fund's NAV will be in investments which seek to achieve the broader objectives of the Fund, including those which may not match the Portfolio's ESG criteria in its entirety.

Investors should note: there may be times when the Portfolio is not in a position to maintain a minimum commitment due to extenuating circumstances or reasons beyond the control of the Investment Manager. In such circumstances, the Investment Manager will take all reasonable steps as soon as reasonably possible to rectify any deviation taking into account the best interests of Shareholders

The table below illustrates the intended allocation.



There may be times when a Fund is not in a position to maintain a minimum commitment due to extenuating circumstances or reasons beyond the control of the Investment Manager. In such circumstances, the Investment Manager will take all reasonable steps as soon as reasonably possible to rectify any deviation taking into account the best interests of Shareholders.

**5. How are the environmental and social characteristics and the sustainability indicators used to measure the attainment of each of those characteristics monitored over the lifecycle of the Fund? (Article 30 SFDR, Level 2)**

The Investment Manager reviews compliance with the environmental, social and sustainability indicators prior to investment in order to consider exposure to the longevity themes, sectors, SASB categories, ESG criteria and PAI criteria as set out in the Supplement and this Article 10 Statement). The output of the above evaluation process is processed and visualised using several different techniques to provide further insights into Fund exposures and characteristics. The Fund scores arising from this process are compared to benchmark scores to assess how the Fund is performing by reference to the sustainability indicators set out herein. The process has been systematised and is run monthly with the possibility to run on an ad-hoc basis when required. Any changes in relative and absolute performance metrics are scrutinised and once verified can be taken for discussion with the corporates.

The Investment Manager will implement the various criteria set out in this Article 10 Statement in making investment decisions. The Investment Manager's compliance function will monitor the integration of ESG requirements through a combination of automated, manual and periodic reviews.

**6. What are the methodologies used to measure how the environmental and social characteristics promoted by the Fund are met? (Article 31: SFDR Level 2)**

A number of metrics are utilised to measure the manner in which the Environmental and Social characteristics promoted by the Fund are met.

- (a) The investment should fall within one or more of the longevity investment themes described in the "Investment Policy" section of the Supplement and summarised in this Sustainability Annex.
- (b) The investment team applies exclusionary ESG criteria relevant to the longevity themes, resulting in the exclusion of certain sectors that reduce lifespans or health span such as defence and weapons production, tobacco or companies engaged in the production of alcohol. Additional sector exclusions concern some of the largest contributors to air pollution and CO2 emission such as fossil fuel extraction and refining, iron and steel production, mining and fossil fuel power generation.
- (c) The Fund assesses the SASB Scores provided by TruValue Labs and described in further detail above and will exclude direct and indirect exposure to issuers who fail to meet internal scoring thresholds set by the Investment Manager.
- (d) The Fund applies the PAIs described in further detail above in respect of "sustainability indicators", including GHG emissions (Scope 1, 2 &3), GHG intensity, carbon footprint and board diversity PAIs and will limit both direct and indirect exposure to issuers who fail to meet the thresholds set by the Investment Manager as part of its internal scoring system.
- (e) The relevant target companies should also follow good governance practices in terms of its management structures, employee relations, remuneration of staff and tax compliance.

**7. Information on the data sources used by to attain the environmental and/or social characteristics promoted by the Fund. (Article 32: SFDR Level 2)**

Information and data is sourced from in-house analysis, from direct engagement and interaction with companies, and from third parties. Third parties include data aggregation platforms such as Bloomberg and the FactSet Revere Industry Classification System and EGS rating agencies such as Sustainalytics, MSCI, ISS and TruValue Labs. The latter is particularly important in enabling a real time, dynamic and unbiased assessment of relative performance which lies at the heart of the

proprietary rating model. The FactSet Revere Industry Classification System is primarily used to ensure purity of Longevity theme exposure.

When assessing the environmental performance, the investment team sources data supplied by the relevant company which quantifies energy and water resource intensity. Social pillar performance metrics include gender and ethnic diversity, gender pay gap disclosure, employee retention performance and diversity in managerial roles. The team also considers a range of governance indicators such as degree of board diversity and independence and controversy occurrence. Such data may be supplied by data aggregators such as Bloomberg and FactSet or sourced directly from the corporates.

Data quality and coverage are regularly assessed. Data errors are removed where appropriate and the third party data provider is approached for an explanation and to correct the error.

**8. What are the limitations to the methodologies and data sources used to evaluate the attainment of Environmental or Social characteristics? (Article 33: SFDR Level 2)**

The methodology applied by ESG data providers is often inconsistent, with different providers and data sources choosing to emphasise certain factors over others, with the result that different data providers or data sources may have widely diverging views as to the environmental or social characteristics of a given issuer. Data evaluation or compliance with sustainability criteria is difficult, and not all stocks or bonds are covered with an equal quality of data.

To assess company involvement in different activities, the Investment Manager and third-party data providers strive to obtain information directly from companies. Sources of data include annual reports, regulatory filings, sustainability reports, press releases, investor presentations, company websites, and other company disclosures. Industry databases are cross-referenced to complement company disclosures. However, the quality of available data can vary greatly, depending on the issuer, the jurisdiction in which they operate, their regulatory status and other factors.

Measurements that involve snap shots, such as the principal adverse impact indicators, can have different reference timeframes. Due to point in time assessments of, for example, previous fiscal year revenues on an individual issuer, or statements made from such an issuer that has been subject to further qualitative analysis from a third-party provider, the calculation of principal adverse impact indicators can result in a non-quantifiable margin of error. Lack of granularity in the data

sources used in combination with using historical data published in, for example, annual reports means that there is both a significant time lag in snapshot metrics as well as challenges to data quality.

Historically, company disclosure in respect of carbon data has been voluntary and data providers have developed proprietary methodologies to capture outliers and in cases of non-disclosed data to use estimates. Estimates facilitate portfolio level assessments, but limits accuracy of company level assessments. Carbon emissions data quality is essential to the calculation of carbon metrics and the use of estimates may affect aggregated portfolio level data.

Other limitations include a lack of ESG disclosure by issuers, a lack of data available from third-party providers on specific topics (such as biodiversity reporting), and a lag in the frequency with third-party providers publish updated ESG data points.

The Investment Manager has access to multiple sources, which ensures diversity of inputs and assists with the abovementioned issues. The Investment Manager, in its sole discretion, retains the right to disapply data and/or ratings provided by third party vendors where it deems the data and/or ratings to be inaccurate or inappropriate. Furthermore, as the regulatory landscape and expectations around company disclosure become formalized, it is expected that the quality and accuracy of data will improve. The Investment Manager routinely engages with data providers to evaluate the quality of data points and would consider switching vendors if ongoing reviews revealed unsatisfactory data quality.

**9. What due diligence is carried out on the underlying assets of the Fund? (Article 34: SFDR Level 2)**

The Investment Manager carries out a detailed upfront analysis of potential investments and ongoing monitoring through quantitative and qualitative analysis which may focus on the investee company's contribution to longevity themes, assessment against the positive ESG scoring process and exclusionary criteria outlined above, target company strategy, performance and risks.. The Investment Manager will also consider each investee company's commitment to corporate governance and quality and experience of management. A quantitative systematic process as outlined above is periodically conducted to assess the entire portfolio of underlying holdings and to evaluate them against the SASB categories, ESG criteria and PAI criteria (each as set out in the Prospectus and this Article 10 Statement).

The investment teams monitor on an ongoing basis the public statements of investee companies through financial information platforms such as Bloomberg, financial statements and regulatory announcements, financial reports and accounts, results meetings and investor days and capital markets updates.

The investment team creates and maintains a financial model for each company in the portfolio. These are regularly updated to reflect the most recent public financial disclosures. The models enable the team to estimate possible valuations for holdings in the portfolio as well as conduct stress tests. ESG risks and performance may be reflected directly in forecasts and/or in risk premium metrics and, as such can affect target valuations of the portfolio holdings.

Performance monitoring is done on at least a quarterly basis in a formal setting, with ad hoc performance analysis being conducted in real time by the portfolio managers and the compliance team.

**10. What are the Engagement Policies pursuant in respect of investments made by the Fund? (Article 35: SFDR Level 2)**

Engagement by the Investment Manager with investee companies will generally be through direct dialogue with the investor relations team and/or management teams or through exercising voting rights at general meetings. If the Investment Manager thinks an underlying portfolio company is not being managed in the interests of its clients or in a manner consistent with the environmental or social characteristics promoted by the Fund, it will decide how best to engage with the company to address this.

Where the Investment Manager has concerns about the performance or strategy of an investee company, or where it has reason to believe that a Fund's rights as a shareholder is being compromised in any way, the Investment Manager will, in appropriate circumstances, escalate its involvement with the relevant investee company. If a satisfactory response is not possible the Investment Manager may escalate this further by one or more of the actions below:

- holding additional meetings with management specifically to discuss concerns;
- intervening jointly with other institutions on particular issues;
- submitting resolutions for consideration at general meetings; and/or
- disinvesting from the relevant position.

**11. Has any index been identified as a "designated reference benchmark" in order to meet with the environmental or social characteristics promoted by the Fund (Article 36: SFDR Level 2)**

The Fund does not have a 'Designated reference benchmark' to attain the environmental or social characteristics promoted.