

# Pacific Capital UCITS Funds plc

## Article 10 SFDR Website Disclosure in respect of

Pacific Multi-Asset Sustainable – Defensive Fund

Pacific Multi-Asset Sustainable –Balanced Fund

Pacific Multi-Asset Sustainable –Plus Fund

Pacific Multi-Asset Sustainable –Conservative Fund

(the “Funds”)

10 March 2021

### **Introduction**

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: [www.pacificam.co.uk](http://www.pacificam.co.uk)

As further described below, the Funds, each a sub-fund of the Company, promote, among other characteristics, certain environmental or social characteristics, provided that the companies and underlying funds (“**Underlying Funds**”) in which investments are made follow good governance practices, in particular regarding sound management structures, employee relations, remuneration of staff and tax compliance. Each Fund pursues a similar approach to the promotion of environmental or social characteristics, with the only differences between the Funds relating to the extent to which they take exposure to equity markets.

This Article 10 Statement should be read in conjunction with the latest prospectus of the Company (the “**Prospectus**”) and the supplement in respect of each Fund (the “**Supplement**”) which set out in detail the investment policy of the Fund and its approach to sustainable investment. 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.

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

### **Environmental or Social Characteristics promoted by the Funds**

In making investments on behalf of a Fund, Pacific Capital Partners Limited (“**Pacific**”) seeks to promote broad environmental and social characteristics as outlined in further detail below.

### **Investment Strategy and Information on how Environmental and Social Characteristics are met**

While the Fund will invest primarily in Underlying Funds, it may also invest in fixed income securities (government and sovereign bonds and sustainable bonds) and equities. The criteria to be considered by the Pacific when making investment decisions on behalf of the Fund are set out below in respect of each category of investment. Pacific shall also ensure that any target issuer shall also follow good governance practices in terms of its management structures, employee relations, remuneration of staff and tax compliance (as relevant).

#### *Investment in Underlying Funds*

When investing in Underlying Funds, Pacific will seek to invest in Underlying Funds that meet one or more of the Sustainable Criteria investment styles laid out by the Global Sustainable Investment Alliance<sup>1</sup> (the “GSIA”).

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<sup>1</sup> The Global Sustainable Investment Alliance is a collaboration of the seven largest sustainable investment membership organizations in the world. The Association for Sustainable & Responsible Investment in Asia (ASrIA), European Sustainable Investment Forum (Eurosif), Responsible Investment Association Australasia (RIAA), Responsible Investment Association (RIA) in Canada, UK Sustainable Investment and Finance Association (UKSIF), US Forum for Sustainable and Responsible Investment (US SIF) and Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO) in the Netherlands. Its mission is to deepen the impact and visibility of sustainable investment organizations at the global level and to ensure that sustainable investment is integrated into financial systems and the investment chain. The GSIA prepares a biennial report assessing the global tally of assets meeting one or more of the Sustainable Criterial investment styles outlined in this Supplement.

While an Underlying Fund shall be eligible for investment where it meets only one of the Sustainable Criteria investment styles outlined below, the Investment Manager shall also have regard to circumstances where a given Underlying Fund promotes more than one Sustainable Criteria investment style or where the Investment Manager believe that the particular steps taken by an Underlying Fund in furtherance of one of the Sustainable Criteria investment styles shall have a particularly positive impact. In such circumstances, the Investment Manager shall favour the Underlying Fund which it determines to have the greater positive impact from a Sustainable Criteria perspective when choosing between two or more Underlying Funds which are otherwise equally attractive in terms of expected returns and the other factors outlined above.

The Sustainable Criteria investment styles as defined by the GSIA are set out in the table below.

Style Name	Description
Negative / Exclusionary Screening	The exclusion from an Underlying Fund of certain sectors, companies or practices based on specific criteria related to environmental social or governance (“ <b>ESG</b> ”) factors such as entities with exposure to tobacco, armaments, thermal coal, animal testing or other factors which are detrimental to ESG goals.
Positive / Best in Class Screening	Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers.
Norms Based Screening	Screening of investments against minimum standards of business practice based on international norms, such as those issued by the Organisation for Economic Co-operation and Development; International Labor Organization, the United Nations and UNICEF.
ESG Integration	The systematic and explicit inclusion by investment managers of ESG factors into financial analysis.
Sustainability Themed Investing	Investment in themes or assets specifically related to sustainability (such as clean energy, green technology or sustainable agriculture).
Impact / Community Investing	Targeted investments aimed at solving social or environmental problems where capital is specifically directed to underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose.
Stewardship and Voting	The use of shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.

### *Fixed Income Investments*

The Fund may invest directly in government and sovereign bonds and sustainable bond asset classes which meet internal scoring criteria related to sustainable metrics.

The Investment Manager's sustainable investment internal scoring criteria for government and sovereign bonds assesses the issuing government or sovereign entity pursuant to a number of factors, including carbon emissions and air pollution policies, the implementation of a free and fair electoral process, freedom of the press, protection of the right to vote and democratic institutions.

In assessing the investment universe of sustainable bonds, the internal scoring criteria will be focused on the extent to which all funding raised pursuant to the debt issuance is allocated towards investment into projects with environmental benefits such as renewable energy, sustainable resource use, conservation of natural resources, clean transportation and adaptation to climate change.

### *Equity Investments*

Where it is proposed that the Fund make an equity investment, the Investment Manager shall assess the target issuer in terms of its commitment towards positive climate and environmental change (which may be evidenced the issuer being engaged in the manufacture of goods or provision of services which promote climate change or by steps taken by the issuer to minimise its own environmental impact through climate emissions / carbon neutrality targets or similar initiatives) or its commitment to positive social change (as evidenced by its engagement with its employees and community and by its positive contribution to society through its business activities).

The Investment Manager's internal scoring system seeks to ensure that any investment meets the minimum criteria set out above. Once a given investment is deemed eligible for inclusion in the investment universe of the Fund, Pacific shall have regard to other factors including the anticipated return and the role of the investment and its role in providing a diversified portfolio. References to Sustainable Criteria in the Supplement shall, where the context admits, include references to Pacific's internal scoring criteria for direct investments as described above.

### *Cash and Cash Equivalents*

The Fund may also retain amounts in cash or cash equivalents (including but not limited to deposits, money market instruments, short-term debt obligations and treasury bills listed or traded on Recognised Markets) pending reinvestment or for ancillary liquidity purposes or margin requirements in connection with the

Fund's investments in financial derivative instruments described below. Investments made for such ancillary liquidity purposes are not subject to the Sustainable Criteria set out above.

The table below sets out further information in relation to the manner in which the Fund seeks to promote the Environmental or Social characteristics outlined above and follows the headings set out in the draft regulatory and technical standards with regard to the content, methodologies and presentation of information pursuant to Article 2a(3), Article 4(6) and (7) of SFDR (the "**Draft RTS**"). The Draft RTS remains to be adopted by the Commission and is not expected to be in force until 1 January 2022 at the earliest. Accordingly, the information inserted in this section shall be updated as relevant in due course upon implementation of the final RTS.

Heading	Information
<i>Proportion of Investments applied towards the promotion of Environmental or Social characteristics</i>	The investment process outlined above is applied to all investment decisions of the Fund other than investments in made in cash and cash equivalents for short term liquidity purposes.
<i>Monitoring of Environmental and Social Characteristics</i>	<p>See disclosures above in relation to the manner in which Environmental and Social Characteristics are measured in the context of investment in Underlying Funds, Fixed Income and Equities respectively.</p> <p>In terms of monitoring inputs, having performed an initial review on the holding's adherence to the GSIA classification we also seek to evaluate adherence on an ongoing basis.</p> <p>For Underlying Fund holdings (which includes investment in ETFs), the Investment Manager conducts a formal annual review process, which includes determining the extent to which Environmental and Social characteristics have been met by the relevant investment and to determine If there is any change to the methodology or management of the underlying security.</p> <p>The Investment Manager also holds a monthly performance meeting where Underlying Fund performance is discussed, as well as providing an opportunity to raise any issues regarding changes to the Sustainable goals or methodologies for each of</p>

	<p>the holdings (whether in Underlying Funds or by way of Direct Investment)..</p>
<p><i>Methodologies used to measure the attainment of environmental or social characteristics</i></p>	<p>To monitor and measure the attainment of Environmental and Social Characteristics a number of metrics are utilised, including firstly the GSIA categorisation process to determine how the Fund's holdings fit into the Sustainable Investment universe taxonomy.</p> <p>During the evaluation process the ESG Score and carbon intensity metrics of a given holding are evaluated, which helps evaluate the environmental impact of a set of securities on a like for like basis. ESG Score is the score given to a company based on the extent of a company's ESG disclosure and, in some cases, a company's performance in areas such as climate change, environmental opportunities, human capital, social opportunities, corporate governance and corporate behavior versus peers. This quantitative methodology can help rank companies based on their attractiveness from a sustainability standpoint. Carbon intensity metrics is the greenhouse gas intensity calculated as metric tonnes of greenhouse gases in carbon dioxide equivalent emitted from operations per million of sales revenue in the company's reporting currency.</p> <p>Finally, the stewardship and engagement policies of Underlying Fund managers is also monitored, to ensure they are active participants in stock ownership and are driving company management to improve their Sustainable processes.</p>
<p><i>Data Sources and Processing</i></p>	<p>Information and data is sourced from in house analysis, from direct engagement and interaction with companies, and from third parties.</p> <p>The Investment Manager may use, in the course of evaluating sustainable performance, data obtained from a variety of sources. These can include quantitative data from Bloomberg, or from our third party data sources. Furthermore, the Investment</p>

	<p>Manager may at times blend this data to form its own view on Sustainability and create internal metrics.</p> <p>The indicators applied by the Investment Manager are assessed in reliance on one or a number of third party ESG vendors.</p>
<p><i>Limitations to Methodologies and Data</i></p>	<p>Data evaluation or compliance with sustainability criteria is difficult, and not all stocks or bonds are covered with an equal quality of data. The Investment Manager when utilising data to evaluate holdings also undertakes a qualitative assessment of the values and approach of an Underlying Fund manager for example, to ensure that as well as any data the Investment Manager may have collected during its investment process is backed up with qualitative evidence of how the investment helps promote environmental or social characteristics. .</p> <p>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</p>
<p><i>Due Diligence</i></p>	<p>See disclosures above in relation to the manner in which Pacific reviews and applies its scoring mechanism to individual investments.</p> <p>In terms of ensuring that a portfolio holding meets the Investment Manager’s criteria in terms of sustainability, a review process is carried out prior to its addition to the Fund. This covers not only the vehicle’s cost, performance and usage, but also its ability to meet sustainable goals for the portfolio. During this process, there is a combination of quantitative and qualitative analysis conducted to determine a holdings meets the risk, return and sustainability criteria laid out above. This evaluation is repeated on an annual basis.</p> <p>Performance monitoring is done on at least a monthly basis in a formal setting, with ad hoc performance analysis being conducted in real time by the portfolio managers. Further to this,</p>

	at these monthly meetings any changes to strategy or changes to underlying teams can be discussed.
<i>Engagement Policies</i>	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.