

# **SFDR Article 8 (Sub) Funds – Website Disclosures Sections based on Articles 23 to 36 SFDR Delegated Regulation (EU) 2022/1288**

**Names of the Article 8 sub-funds: (1) Albemarle Target Italy Fund, (2) Albemarle Euro Flexible Fund, (3) Albemarle Euro Bond Fund, (4) Albemarle Longevity Fund, (5) Albemarle Target Europe Fund and (6) Albemarle Long Short Fund**

**(Each a "Fund" and together the "Funds")**

**Legal entity identifiers: (1) 549300DLDCZCK045XT64, (2) 5493006NE1Y653GT5E42, (3) 5493003UPIRJJV6KPX34, (4) 549300MBTOQD9BHKS070, (5) 549300AXEBGPWMU5UD43 and (6) 213800LR9DGBMKW3CG53**

## **Separate Website Section titled, 'Sustainability-related disclosures'**

### **Website section 'Summary'**

The Fund aims to promote ESG characteristics through its investment selection and due diligence process. The Investment Manager defines ESG characteristics as those environmental, social or governance criteria that have a positive environmental and/or social impact.

ESG characteristics are promoted through the Investment Managers Core ESG Commitment, ESG Due Diligence and commitment to United Nations Principles for Responsible Investment ("PRI") as further detailed below.

The Investment Manager will also promote ESG characteristics by considering Bloomberg ESG scores, ESG Internal scores and ESG Third Party Scores. When selecting investments for the Fund, the Investment Manager will employ some combination of the aforementioned data as well as other data to identify and assess the suitability of the investment. The main flaw in the methodology and data source is the absence of corporate disclosure. Particularly, it can be challenging to locate adequate data on the main adverse indicators. To solve this problem, it is best to use a variety of data sources, as each has unique advantages and disadvantages.

The Fund plans to allocate 60% of its investments to be aligned with environmental or social characteristics promoted by the Fund. The Fund does not commit to making sustainable investments. The remaining investments might include derivatives, cash and cash equivalents and other investments for which there may be a lack of data to allow the Investment Manager or its third-party data providers to screen against in the initial investment process or for diversification purposes.

The Investment Manager will measure how the ESG characteristics promoted by the Fund are met by considering the indicators detailed below including, but not limited to: International Standards, Jurisdiction, Bloomberg ESG scores, ESG Internal Score, ESG Third Party Scores and the Exclusion Policy. The Investment Manager monitors its investments using the same ESG indicators and data for current investments as used for investment selection.

The Fund has not designated a reference benchmark to determine whether it is aligned with the environmental and/or social characteristics that it promotes.

## **Website section ‘No sustainable investment objective’**

The Funds promote environmental or social characteristics, but do not have as their objective sustainable investment.

The Fund plans to allocate 60% of its investments to be aligned with environmental or social characteristics promoted by the Fund. The Fund does not commit to making sustainable investments. The remaining investments might include derivatives, cash and cash equivalents and other investments for which there may be a lack of data to allow the Investment Manager or its third-party data providers to screen against in the initial investment process or for diversification purposes.

## **Website section ‘Environmental or social characteristics of the financial product’**

The Fund aims to promote ESG characteristics through its investment selection and due diligence process. The Investment Manager defines ESG characteristics as those environmental, social or governance criteria that have a positive environmental and/or social impact as follows:

*Environmental:* The Investment Manager recognises the impact of climate change and the critical need to accelerate the transition to global net-zero emissions. The Investment Manager is of the view that unsustainable or contentious environmental policies can lead to financial penalties, reputational damage, a competitive disadvantage, and long-term negative growth consequences.

The Investment Manager considers the following environmental issues in its ESG analysis: air quality and water management, climate exposure, ecological impact, energy management, environmental supply chain management, greenhouse emissions, sustainable products, and waste management.

*Social:* The Investment Manager with the support of third party data provider(s) analyses the impact a company can have on human rights as it relates to its employees, contract workers, supply chain workers, and the communities in which it operates. The Investment Manager recognises that companies that demonstrate a strong commitment to inclusion and diversity may achieve higher performance and longer-term value creation, as well as the ability to retain key employees.

The Investment Manager considers the following social issues in its ESG analysis: community rights and relations, business ethics, legal and regulatory management, labour and employment practises, health and safety management, product quality and safety, and social compliance of suppliers.

*Good Governance:* The Investment Manager considers governance issues in its analysis as further detailed below.

ESG characteristics are promoted in the following ways:

*Core ESG Commitment:* The Investment Manager has committed to responsible investment and are considering and managing ESG as part of the Fund's investment management process in the following ways:

- incorporating environmental, social, and governance considerations into its investment analysis and investment strategies;
- acting as a responsible shareholder by incorporating ESG considerations into shareholder policies and practises;
- requesting that companies in which the Investment Manager has invested provide appropriate disclosure of environmental, social, and governance factors;
- engaging with companies that do not produce environmental, social, and governance data in order to promote acceptance and implementation of the responsible investment principles;
- utilising a screening process based on external providers or internal analysis as further described below; and
- applying an exclusion process that prevents organisations engaged in specific businesses from being included among the investable companies.

*ESG Due Diligence:* The Investment Manager integrates ESG due diligence into its investment selection process, including documenting concerns and ongoing monitoring of an investee company's ESG performance. The Investment Manager considers objective factors such as the issuer's ESG ratings available through Bloomberg, analysis of annual reports and considering quantifiable Sustainability Risks. The Investment Manager may also consider subjective analysis of reputation of the issuer management and evidence of the adoption and effectiveness of ESG policies, adverse media findings.

*United Nations Principles for Responsible Investment (“PRI”):* The Investment Manager is a signatory to the PRI, and as such Investment Manager has a duty to act in the best long-term interests of Shareholders. The Investment Manager recognises that applying the PRI may better align the Fund with the broader objectives of society. The Investment Manager has committed to the following PRI:

- The Investment Manager will incorporate ESG issues into its investment analysis and decision-making processes.

- The Investment Manager will be an active owner and incorporate ESG issues into its policies and procedures.

- The Investment Manager will seek appropriate disclosure on ESG issues by the entities in which it invests.

- The Investment Manager will promote acceptance and implementation of the PRI.

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

## Website section 'Investment strategy'

### (a) Investment Strategy

The Fund's investment strategy is described under the heading "Investment Selection Process" in the Supplement.

The Investment Manager will promote ESG characteristics by considering indicators including, but not limited to:

*International Standards:* Companies and bonds issued by governments that do not respect international conventions, internationally recognised frameworks, national regulations, the UNPRI and UN Global Compact principles, and thus those involved in controversial business, will be barred from the investment selection.

*Jurisdiction:* The Investment Manager will not invest in any country where serious violations of human rights or a collapse of the governance structure take place.

*Bloomberg ESG score:* The Investment Manager will analyse companies against Bloomberg's ESG scores or ESG ratings made available by Bloomberg.

*ESG Internal score:* The overall grade of the internal analysis is calculated using a scale of 0 to 100, with 100 being the highest available score.

*ESG third parties scores:* ESG Scores produced by other third-party data providers or contributors active in the ESG research field, can be considered from time to time.

*Exclusion Policy:* The Fund does not invest directly in a company if more than 10% of its turnover is generated by the following activities:

1. the production or sale of controversial weapons (nuclear, chemical and biological weapons, anti-personnel mines, cluster munitions);
2. the production or sale of tobacco products;
3. the extraction or sale of thermal coal;
4. the provision of gambling or betting services.

As part of its assessment of investee companies, the Investment Manager applies the sustainability indicators described above to analyse and assess the environmental and social characteristics promoted by the Fund. Any material environmental and social factors identified by the Investment Manager in accordance with its documented investment approach may be considered as part of its engagement plan.

The investment strategy will apply the following binding elements:

- The Investment Manager has adopted an exclusion criteria for companies whose primary business activity is involved in one or more of the following businesses: the production or sale of controversial weapons (nuclear, chemical and biological weapons, anti-personnel mines, cluster munitions); the production or sale of tobacco products; the extraction or sale of thermal coal; the provision of gambling or betting services. Investee companies that earn 10% or more of their revenue from the activities listed above are barred from the Fund's investable universe.

- The Fund will seek to maintain an average ESG portfolio rating above 60 (out of a scale of 100) based on a ESG rating calculated by the Investment Manager.
- An ESG rating must be present for at least 60% of the investments in the portfolio. Cash and cash equivalents, government and supranational issues, derivatives whose underlying is not a company and any asset that cannot be rated against the ESG characteristics are not taken into account when determining the percentage.

**(b) Policy to assess good governance practices of the investee company**

The Investment Manager when analysing company governance across the universe of potential investments, will consider four key areas of corporate practice which are highlighted in SFDR, each of which reveals something about the investee company's business. These are sound management structures, strong employee relations, fair remuneration of staff and tax compliance.

The Investment Manager is of the opinion that companies should have suitable practices and policies in place across all four of these areas to ensure that they are best placed to evolve in a sustainable manner over the long-term.

In order to assess how well companies are governed, the Investment Manager may use a range of different metrics associated with each of the above areas, which may involve the use of proprietary tools with various data points, analysis of the financial statements and related materials of companies, direct interactions with the management and/or governance information and ratings from the third-party ESG research provider(s).

The Investment Manager believes that the board of directors of the companies should be made up of qualified, independent, and diverse individuals with relevant experience. Quality board composition, combined with effective policies and strong corporate governance, as well as compensation policies that incentivise executives to increase long-term shareholder value, are critical to any company's success. The Investment Manager also expects companies to be open and transparent about material risks and how they are addressed. In addition to consideration of the above, the Investment Manager considers the following governance issues in its analysis: board diversity and director independence, executive compensation and incentive structure, shareholder policies and voting rights, risk management and accountability.

The Investment Manager decides whether and when to exclude a company from the initial investment screening because it does not adhere to good governance practises. The following criteria have been defined by the Investment Manager for the good governance practises.

Management Structure: The investee company must adhere to the UN Global Compact's anti-bribery and corruption principles and must not be on the non-compliance list. Additionally, the company must have published unqualified audited financial statements and, where applicable, the Supervisory Board should have at least one independent board member.

Employee Relations: The investee company must comply with the UN Global Compact's third principle on labour relations and not be on the non-compliance list.

Fair Remuneration of Staff: the investee company should not have a significant shareholder dissent on remuneration policies.

Tax Compliance: The investee company is not presently embroiled in any major disputes involving taxes or accounting matters.



## **Website section 'Proportion of investments'**

The Fund plans to allocate 60% of its investments to be aligned with environmental or social characteristics promoted by the Fund. The Fund does not commit to making sustainable investments. The remaining investments might include derivatives, cash and cash equivalents and other investments for which there may be a lack of data to allow the Investment Manager or its third-party data providers to screen against in the initial investment process or for diversification purposes.

## **Website section 'Monitoring of environmental or social characteristics'**

The Investment Manager monitors its investments using the same ESG indicators and data for current investments as used for investment selection.

## **Website section 'Methodologies for environmental or social characteristics'**

The Investment Manager will measure how the ESG characteristics promoted by the Fund are met by considering the indicators detailed above including, but not limited to: International Standards, Jurisdiction, Bloomberg ESG scores, ESG Internal Score, ESG Third Party Scores and the Exclusion Policy.

## Website section 'Data sources and processing'

The Investment Manager has access to data from both internal and external resources, which includes:

**Bloomberg ESG score:** The Investment Manager will analyse companies against Bloomberg's ESG scores.

Bloomberg ESG Disclosure Scores rate companies on their level of disclosure of ESG data. Bloomberg offers four disclosure scores, for overall ESG, as well as Environmental, Social, and Governance.

Bloomberg's ESG Scores draw on major sustainability reporting frameworks used by public companies around the world to highlight the most material sustainability issues. Bloomberg identifies disclosed corporate information that aligns with these issues, particularly with regard to corporate strategy, operations, and priorities, transforming this information into a useful tool for investment decision-making and other types of competitive analysis. By embracing materiality as the central concept, Bloomberg's approach focuses on the drivers of operating performance and the impacts of sustainable operating strategies on the environment and society.

Bloomberg's Governance scores cover more than 4,300 global companies across all sectors and regions. Under the Governance pillar, currently the themes of Board Composition, Executive Compensation, Shareholder Rights, and Audit touch on a number of core ESG Issues that can have material impact on company performance.

Bloomberg's quantitative, transparent Governance score model has been designed by subject matter experts across Bloomberg and is powered by its management and board-level data, which are industry leaders in the data universe. In general, these scores are determined by Bloomberg's proprietary research and through guidance provided by third-party corporate governance frameworks and practitioners.

**ESG Internal score:** The overall grade of the internal analysis is calculated using a scale of 0 to 100, with 100 being the highest available score.

The internal rating is assigned using a qualitative and quantitative analysis; each element retrieved from the analysis is then converted into numerical data ranging from 0 to 100. Within its macro-category, each element is weighted.

The data retrieved refers to information that can be used to verify and quantify the effectiveness of the policies that have been implemented. Because some indicators may be more important than others depending on the company, industry, or geographic region, some items may be weighted more heavily than others at the discretion of the analyst who produces the analysis.

The same rating methodology is applied to fixed income investments with the exclusion of bonds issued by governments or supranational entities which are not taken into account when determining the average portfolio's rating.

**ESG third parties scores:** ESG Scores produced by other third-party data providers or contributors active in the ESG research field, can be considered from time to time.

## **Website section ‘Limitations to methodologies and data’**

When selecting investments for the Fund, the Investment Manager will employ some combination of the above-referenced data as well as other data to identify and assess the suitability of the investment.

The main flaw in the methodology and data source is the absence of corporate disclosure. Particularly, it can be challenging to locate adequate data on the main adverse indicators. To solve this problem, it is best to use a variety of data sources, as each has unique advantages and disadvantages.

It is common to observe differences in methodology between data providers' approaches to certain topics. Due to conflicting policies, poor data quality, and other situation-specific factors, reported data can differ significantly between providers.

The main constraint on the methodology and data, as it relates to countries, is the dearth of reliable ESG data provided by governments. The reported data is also delayed and might not be disclosed entirely.

Finally, there is the issue of data consistency and the calculation of a portfolio's average score. This problem arises when multiple providers may have been used to gather information about a company's ESG scores, as the primary provider might not offer coverage for all of the companies in the portfolio. The same data are assessed by different providers using different methodologies, which could lead to an average portfolio score that is heterogeneous and somewhat misleading. In similar situations, the investment manager will use the provider with the broadest coverage of the assets in the portfolio as its primary source of ESG data. This will make it possible to compile a homogenous average portfolio score and enable comparison of the ratings of the companies included in the portfolio.

## **Website section 'Due diligence'**

The Investment Manager integrates ESG due diligence into its investment selection process, including documenting concerns and ongoing monitoring of an investee company's ESG performance. The Investment Manager considers objective factors such as the issuer's Bloomberg ESG ratings, analysis of annual reports and considering quantifiable Sustainability Risks. The Investment Manager may also consider subjective analysis of reputation of the issuer management and evidence of the adoption and effectiveness of ESG policies as well as adverse media findings.

## **Website section 'Engagement policies'**

The Investment Manager regards a direct communication with company management as a valuable and necessary practise for gaining a better understanding of how management perceives and responds to risks.

The Investment Manager communicates with company management directly when deemed necessary and encourages the target company to respond to specific questions.

The Investment Manager is also committed to engaging with investee companies that do not provide disclosure information. This can occur when investing in small caps, which may lack the resources and culture to provide the necessary ESG disclosure. In this case, The Investment Manager is committed to pursuing the company to gradually align its practices with the existing environmental, social, and governance frameworks.

The Investment Manager engagement also focuses on companies that severely breach standards and do not comply with internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency such as the UN Global Compact.

The engagement could take place in a number of ways, but it will most likely occur during investor presentations or during ad hoc one-on-one meetings with the company's management or investor relations representatives. After this initial interaction, or in situations where direct engagement is impractical, the Investment Manager follows up by sending the company an ESG questionnaire to collect additional data. If relevant ESG issues are still present, a meeting or phone call with the company is scheduled after the questionnaire responses have been evaluated and compared to those of similar companies.

The timeline for the engagement process may vary depending on the company's proactiveness in replying and the importance of the issue. In any case, the Investment Manager is committed to engaging with the investee company in a constructive dialogue that, while may take additional time, could lead more easily to the resolution of any potential issues.

If the investee company does not show interest in engaging or resolving the outstanding issues, the Investment Manager will proceed with the divestment. This will occur when all attempts to engage or resolve the issue have been unsuccessful, and it will take effect immediately by selling the entire position in the relevant company. The divestment will always take place considering the best interests of the investors and the liquidity of the security. The timing for completion will ultimately be determined by market conditions.

## **Website section 'Designated reference benchmark'**

The Fund has not designated a reference benchmark to determine whether it is aligned with the environmental and/or social characteristics that it promotes.