

## SUSTAINABILITY-RELATED DISCLOSURES

### PanAgora Defensive Global Equity ESG Aware Fund

#### (a) 'Summary'

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

PanAgora Defensive Global Equity ESG Aware Fund (the “**Fund**”) will seek to generate higher absolute risk adjusted returns over a market cycle than those of the MSCI World Minimum Volatility Index (Bloomberg Ticker: M1WOMVOL) (the “**MSCI World Min Vol Index**”) by investing in global equity securities that are selected partly on the basis that they exhibit the highest ESG scores.

PanAgora Asset Management, Inc. (the “**Investment Manager**”) will select equity investments that exhibit higher ESG scores, such that the overall portfolio has a positive ESG tilt, as compared to the MSCI World Min Vol Index. For each potential investment, the Investment Manager will consider the MSCI ESG data to assign an ESG score that considers characteristics including: carbon emissions; water usage and pollution; management’s environmental sentiment (commitment); employee sentiment; gender diversity; and, penalties and violations cited. The Investment Manager will then aggregate the ESG scores at a portfolio level to provide an overall ESG score for the Fund. The Investment Manager will measure and track the Fund’s overall ESG score at a portfolio level in comparison to the overall ESG score for the MSCI World Minimum Volatility Index. This will be reassessed on a quarterly basis.

The Investment Manager will report on the relative weighting of the portfolio’s holdings calculated by reference to the ESG rankings of securities within the MSCI World Index held by the Fund on a ranked decile basis, and as against the MSCI World Minimum Volatility Index.

In selecting assets for the Fund, the Investment Manager will exclude from consideration those companies that are excluded from eligibility for inclusion in the MSCI ESG Leaders Indexes, such as companies dealing with: controversial weapons; nuclear weapons; civilian firearms; tobacco; alcohol; conventional weapons; gambling; nuclear power; fossil fuel extraction; and, thermal coal power.

MSCI ESG Leaders Indexes use MSCI ESG Controversies Scores to identify companies that are involved in very serious controversies involving the environmental, social, or governance impact of their operations and/or products and services. With respect to governance controversies, MSCI ESG Controversies Scores include the following thematic indicators: Bribery & Fraud, Governance Structures, Controversial Investments, and Other.

90% of the Fund’s assets are invested in investments aligned with the environmental or social characteristics promoted by the Fund. All or part of the remaining 10% of the Fund's net asset value (“**NAV**”) may be invested in assets that do not align with any environmental or social characteristics.

Data (be it ESG data or otherwise) used as inputs to investment models are retrieved systematically and run through a quality control process prior to being put into production. For example, data tests will review data to identify potential errors or quality issues.

Certain data used by the Investment Manager may contain estimated data, if needed. This will depend on the quality and availability of data for an individual investment. Accordingly, the Investment Manager is not able to estimate a certain percentage of any data, ESG or otherwise, that is estimated.

The main limitations to methodology and data are as follows:

- *Comparability of data:* There are no universal standards related to ESG information and no systematic third party verification of comparisons made against the MSCI World Minimum Volatility Index.
- *Third party data:* The reliability of third party data depends on the availability and accuracy of market data.

Prior to each investment, the Investment Manager will conduct a pre-screening and a due diligence assessment. As a quantitative investment manager, the Investment Manager conducts diligence on its portfolio and the various quantitative model inputs (such as ESG data) through research integrated within the portfolio management function.

Engagement is not part of the environmental or social investment strategy for this Fund.

The Fund does not use any specific index as a reference benchmark to determine alignment with the environmental or social characteristics promoted by the Fund.

(b) **'No sustainable investment objective'**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

(c) **'Environmental or social characteristics of the financial product'**

The Fund will seek to generate higher absolute risk adjusted returns over a market cycle than those of the MSCI World Minimum Volatility Index by investing in global equity securities that are selected partly on the basis that they exhibit the highest ESG scores. The ESG scores attributable to the Fund's investments will consider a broad range of environmental, social and governance related issues, and such ESG scores will reflect both the sustainability risks and opportunities faced by the underlying issuer, as well as the level of the issuer's contribution to key environmental and social impacts.

The Investment Manager expects that the Fund will have a better ESG profile than a comparable fund investing in the investment universe defined by the MSCI World Index that does not specifically take into account ESG impact factors.

The sustainability indicators used to measure the attainment of the above environmental and social characteristics will be relative ESG weighting compared to the MSCI World Minimum Volatility Index. The Investment Manager will report on the relative weighting of the portfolio's holdings calculated by reference to the ESG rankings of securities within the MSCI World Index held by the Fund on a ranked decile basis, and as against the MSCI World Minimum Volatility Index.

(d) **'Investment strategy'**

***Investment strategy used to meet the environmental or social characteristics***

The investment objective of the Fund is to generate higher absolute risk adjusted returns over a market cycle than those of the MSCI World Min Vol Index (Bloomberg Ticker: M1WOMVOL), a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed markets.

The Fund will seek to achieve its investment objective by constructing a risk balanced portfolio comprised primarily of global equity securities. The Fund will not have a specific geographic, industry or sectoral focus and no security will represent more than 4% of the risk in the portfolio at the time of purchase.

As an additional consideration in its asset selection process, the Investment Manager will consider the ESG scores of targeted equity securities.

Further detail in respect of the ESG criteria and its application is set out below.

The Investment Manager's ESG integration process is to favour stocks with higher ESG scores. In particular, alongside the low volatility characteristic favoured by the Fund, the Investment Manager will select equity investments that exhibit higher ESG scores, such that the overall portfolio has a positive ESG tilt, as compared to the MSCI World Min Vol Index. As a quantitative investment manager, the investment process is systematic and includes both the Low Vol and ESG investment processes, which generally cannot be overridden.

The ESG scoring system includes the following ESG considerations:

- carbon emissions - analysing the total greenhouse gas (GHG) equivalent emission output by a given company;
- water usage and pollution - analysing the total water used by the company;
- management's environmental sentiment (commitment) - the level of attention given to a potential environmental issue by a company's management team can serve as an indicator of the company's ability to manage its environmental risk;
- employee sentiment - evaluating how a company's employees view the quality of corporate management, corporate direction, overall job satisfaction, etc;
- gender diversity – evaluating a company's gender diversity at the board, executive, and rank and-file levels; and
- penalties and violations cited - analysing the number of violations a company commits, and the potential monetary damages; and compensation structure - if compensation incentive structure is aligned with corporate goals.

***Binding elements of the investment strategy used to attain the environmental or social characteristics of the Fund***

In selecting assets for the Fund, the Investment Manager will exclude from consideration those companies that are excluded from eligibility for inclusion in the MSCI ESG Leaders Indexes.

Currently, and as more fully described in its Methodology, the MSCI ESG Leaders Indexes exclude from eligibility companies that meet the following business involvement criteria:

- Controversial Weapons – all companies with any tie to Controversial Weapons (as defined by the MSCI Ex-Controversial Weapons Indexes methodology);

- Nuclear Weapons – all companies involved in the manufacturing of nuclear weapons and certain related components and products;
- Civilian Firearms – all companies deriving 5% or more revenue from the production of firearms and small arms ammunition for civilian markets or 15% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use;
- Tobacco – all companies deriving 5% or more revenue from the production of tobacco-related products or 15% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products;
- Alcohol – all companies deriving 10% or more revenue from the production of alcohol-related products;
- Conventional Weapons - all companies deriving 10% or more revenue from the production of conventional weapons and components;
- Gambling - all companies deriving 10% or more revenue from ownership of operation of gambling-related business activities;
- Nuclear Power - all companies deriving 10% or more revenue from the ownership or operation of nuclear power plants;
- Fossil Fuel Extraction - all companies deriving 5% or more aggregate revenue (either reported or estimated) from thermal coal mining and unconventional oil and gas extraction; and
- Thermal Coal Power - all companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation.

Additional information regarding the MSCI ESG Leaders Indexes Methodology and the eligibility criteria can be found here:

[https://www.msci.com/eqb/methodology/meth\\_docs/MSCI\\_ESG\\_Leaders\\_Methodology\\_Nov2022.pdf](https://www.msci.com/eqb/methodology/meth_docs/MSCI_ESG_Leaders_Methodology_Nov2022.pdf).

***Policy to assess good governance practices***

As noted above, in selecting assets for the Fund, the Investment Manager will exclude from consideration those companies that are excluded from eligibility for inclusion in the MSCI ESG Leaders Indexes. MSCI ESG Leaders Indexes use MSCI ESG Controversies Scores to identify companies that are involved in very serious controversies involving the environmental, social, or governance impact of their operations and/or products and services. With respect to governance controversies, MSCI ESG Controversies Scores include the following thematic indicators: Bribery & Fraud, Governance Structures, Controversial Investments, and Other.

MSCI ESG Controversies Score fall on a 0-10 scale, with “0” being the most severe controversy. Currently, companies are required to have a MSCI ESG Controversies Score of 3 or above to be eligible for inclusion in the MSCI ESG Leaders Indexes and a Score of 1 or above to maintain its inclusion in the MSCI ESG Leaders Indexes.

Additional information regarding the MSCI ESG Leaders Indexes Methodology can be found here: [https://www.msci.com/eqb/methodology/meth\\_docs/MSCI\\_ESG\\_Leaders\\_Methodology\\_Nov2022.pdf](https://www.msci.com/eqb/methodology/meth_docs/MSCI_ESG_Leaders_Methodology_Nov2022.pdf)

Additional information regarding the MSCI ESG Controversies Scores can be found here: <https://www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+Controversies+Executive+Summary+Methodology+--+July+2020.pdf/b0a2bb88-2360-1728-b70e-2f0a889b6bd4>.

(e) **‘Proportion of investments’**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The Investment Manager will apply the exclusionary screens and ESG scoring criteria to all prospective investee companies. Accordingly 90% of the Fund’s assets are invested in investments aligned with the environmental or social characteristics promoted by the Fund.

All or part of the remaining 10% of the Fund's NAV may be invested in assets that do not align with any environmental or social characteristics, as described in the response to question.

In particular, the Fund may hold up to 10% of its Net Asset Value in UCITS and eligible alternative investment funds (including exchange traded funds) which are consistent with the investment objective of the Fund for investment purposes. The Investment Manager will not apply the ESG criteria in selecting such investment funds and such funds will not be subject to minimum environmental or social safeguards.

The Fund may also maintain cash and cash equivalent positions (such as high-quality fixed term deposits, fixed and floating rate money market instruments (including certificates of deposit, commercial paper, and banker’s acceptances) for efficient portfolio management purposes and these will not be subject to minimum environmental or social safeguards.

(f) **‘Monitoring of environmental or social characteristics’**

The Fund seeks to have a positive ESG tilt compared to the MSCI World Minimum Volatility Index by favouring stocks that exhibit a higher ESG score.

The Fund promotes its environmental and social characteristics through the integration of ESG considerations via the ESG scoring system in the quantitative investment model that is used to construct the portfolio.

To monitor whether the Fund is achieving a positive ESG tilt in comparison to the MSCI World Minimum Volatility Index, the portfolio management team will observe the following internal control mechanisms:

Pre-investment: Only stocks with ESG scores are included in the investable universe for the portfolio and, as such, each stock has undergone an ESG scoring assessment.

Post-investment: the Investment Manager will review various risk and other reports regarding the investment process and the construction of the portfolio, which include reports on the ESG profile of the portfolio. These reports are generated automatically and are reviewed on a daily basis.

(g) **‘Methodologies for environmental or social characteristics’**

The sustainability indicators used to measure the attainment of the above environmental and social characteristics (i.e. the Fund’s desired positive ESG tilt) will be the Fund’s relative ESG score weighting compared to the MSCI World Minimum Volatility Index.

As detailed above, the ESG scoring system includes the following considerations:

- carbon emissions - analysing the total greenhouse gas (GHG) equivalent emission output by a given company;
- water usage and pollution - analysing the total water used by the company;
- management's environmental sentiment (commitment) - the level of attention given to a potential environmental issue by a company's management team can serve as an indicator of the company's ability to manage its environmental risk;
- employee sentiment - evaluating how a company's employees view the quality of corporate management, corporate direction, overall job satisfaction, etc;
- gender diversity – evaluating a company's gender diversity at the board, executive, and rank and-file levels; and
- penalties and violations cited - analysing the number of violations a company commits, and the potential monetary damages; and compensation structure - if compensation incentive structure is aligned with corporate goals.

For each potential investment, the Investment Manager will consider the MSCI ESG data to assign an ESG score that considers those characteristics listed above. The Investment Manager will then aggregate the ESG scores at a portfolio level to provide an overall ESG score for the Fund. The Investment Manager will measure and track the Fund's overall ESG score at a portfolio level in comparison to the overall ESG score for the MSCI World Minimum Volatility Index. This will be reassessed on a quarterly basis.

(h) **'Data sources and processing'**

***Data sources***

The Investment Manager uses MSCI ESG data in its quantitative investment process.

***How is data quality ensured?***

As a quantitative Investment Manager, the Investment Manager manages vast amounts of data as part of its investment processes, including the investment process with respect to the Fund. Data (be it ESG data or otherwise) used as inputs to investment models are retrieved systematically and run through a quality control process prior to being put into production. For example, data tests will review data to identify potential errors or quality issues. Any issues identified are subject to internal review for appropriate Investment Manager employees.

***How is data processed?***

The Investment Manager integrates the MSCI ESG data with proprietary systems as part of the quantitative models that process and analyze the data.

***What proportion of data is estimated?***

Although the Investment Manager will seek to obtain market data via external and internal means, certain data used by the Investment Manager may contain estimated data, if needed. This will depend on the quality and availability of data for an individual investment. Accordingly, the Investment Manager is not able to estimate a certain percentage of any data, ESG or otherwise, that is estimated.

(i) **'Limitations to methodologies and data'**

The main limitations to methodology and data are as follows:

- *Comparability of data:* There are no universal standards related to ESG information and no systematic third party verification of comparisons made against the MSCI World Minimum Volatility Index.
- *Third party data:* The reliability of third party data depends on the availability and accuracy of market data.

(j) **'Due diligence'**

Prior to each investment, the Investment Manager will conduct a pre-screening and a due diligence assessment. In particular, the Investment Manager will apply a negative screen to exclude companies that are not eligible for inclusion in the MSCI ESG Leaders Indexes and the ESG scoring system provides certain ESG areas for consideration (see "Investment Strategy" for more information).

As a quantitative investment manager, the Investment Manager conducts diligence on its portfolio and the various quantitative model inputs (such as ESG data) through research integrated within the portfolio management function. This research may include, among other things, backtest portfolios, stress tests and scenario analysis. The Investment Manager also has processes in place for the oversight of its investment model, which include protocols for changes to the investment model, for example.

(k) **'Engagement policies'**

Engagement is not part of the environmental or social investment strategy for this Fund.

(l) **'Designated reference benchmark'**

The Fund does not use a specific index as a reference benchmark for the purposes of attaining the environmental or social characteristics promoted by the Fund. The MSCI World Index is used for the purposes of defining the investment universe of the Fund; however, the Fund is actively managed, and its financial performance benchmark is the MSCI World Min Vol Index

As stated above, the Investment Manager will select equity investments that exhibit higher ESG scores, such that the overall portfolio has a positive ESG tilt, as compared to the MSCI World Min Vol Index. The Fund uses the eligibility criteria as applied by MSCI when determining the eligible investible universe for their suite of MSCI ESG Leaders Indexes before additional criteria are applied to determine the constituents of each individual ESG Leaders Index.

As such the Fund does not use any specific index as a reference benchmark to determine alignment with the environmental or social characteristics promoted by the Fund.