Responsible Investment Policy

Introduction

This is the Responsible Investment ("RI") Policy of Lightman Investment Management Limited ("Lightman", "we", "us", Firm"). This Policy provides an overview of the Firm's approach to considering the following:

- High level objective of the Firm towards responsible investment.
- Risk from environmental, social, and governance (ESG) factors on its investment portfolio.
- Potential adverse impact of its investment portfolio on environmental and social factors.
- Stewardship, engagement and voting aspects of its investment process.
- Membership and compliance with various voluntary and regulatory sustainability initiatives.
- Information about ESG reporting completed by the Firm.
- Measures and controls to manage and monitor greenwashing of the Firm's products and services.

The Firm's senior management is committed to the key global objective of the Paris Agreement's net zero emissions by 2050. The Firm recognises the responsibilities of the financial sector in achieving this objective and has accordingly implemented a proportionate Responsible Investment Policy.

The Firm believes that companies that are proactive on ESG issues are generally more efficient. They have:

- Lower operating costs such as a lower electricity and water bills.
- Lower environmental costs such as carbon credit costs and carbon compliance costs.
- Better revenue opportunities from changing consumer preferences, changing regulatory landscape and technological improvement.
- Lower risks from physical events such as rising sea levels, rising temperatures, weather pattern changes, etc.
- Better stakeholder relations with investors, regulators, customers and employees.

In summary, all the derived benefits from better ESG risk and opportunities management can improve the investment case derived from traditional fundamental analysis.

Responsible Investment Objectives

The Firm has taken the following responsible investment objectives. These objectives are reviewed on a regular basis by the Management Committee.

- To support achievement of the Paris Agreement's goal of net zero global GHG emissions by 2050.
    - GHG emissions – By 2025 – The Firm aims to invest at least 50% of its portfolios in companies that are reducing their absolute and/or specific GHG emissions. By 2035, the Firm aims to increase the coverage to 70%.
    - Net zero commitment – By 2025 – The Firm aims to invest at least 50% of its portfolios in companies that have taken a 2050 (or earlier) Net Zero GHG emissions target. By 2035, the Firm aims to increase the coverage to 70%.
    - Science based targets – By 2025 – the Firm aims to hold at least 25% of its portfolios in companies that have taken or committed to taking some form of Science based target. By 2030, the Firm aims to increase the coverage to 50% and by 2035 to 70%. It is important to note that the Firm has not yet committed to its target being validated by the SBTi, so this commitment is voluntary and currently only applies to Scope 3 investment activities and not to Scope 1 and Scope 2 operational activities.
    - ESG disclosure score – By 2025 – The Firm aims to invest at least 50% of its portfolios in companies that are improving their ESG disclosure scores. By 2035, the Firm aims to increase the coverage to 70%.
- To minimise the risk from sustainability factors on portfolio performance
    - Ensure that the portfolio is not subject to undesirable transitional or physical risk. Regularly monitor the potential transitional and physical risk of key individual positions, sectors, countries, and/or the overall portfolio.
- To improve the sustainability profile of the portfolios by increasing allocation to companies that are improving their ESG performance.
    - Other ESG indicators – By 2025 – the Firm aims to hold at least 50% of the portfolios in companies that are improving selected environmental, social and/or governance indicators by 2025. By 2030, the Firm aims to increase the coverage to 70%.
    - The list of such indicators may include ESG disclosure score, membership of professional reporting bodies, renewable energy percentage, etc.
    - Increase the coverage of sustainability indicators to additional parameters to cover additional environmental, social and/or governance factors.
    - Improve the level of improvement expected on these indicators. Hold each portfolio company to a more rigorous qualification criteria for each sustainability indicator to consider the company compliant.

- To minimise the impact of the portfolios on sustainability factors by ensuring that the portfolio does not significantly harm sustainability factors.
    - The Firm will continue to monitor its performance against several other sustainability indicators and aim to ensure that it does not significantly negatively harm any of these sustainability indicators.
    - Such monitoring will at least be relevant to the proportion of the portfolio that is promoted as creating a positive environmental, social and/or governance performance.
- To act as long-term responsible shareholders of the companies we invest in.
    - To participate in at least 80% of the ballots we receive.
    - To vote in line with this responsible investment policy or equivalent industry standard such as proxy voting advisers policy.
    - To engage with portfolio companies on ESG matters.
    - To support industry groups to introduce ESG specific agenda items on companies' board.

Responsible Operations Objective

- To reduce and/or effectively offset GHG emissions from own operations.
    - The Firm currently monitors and offsets Scope1, 2, 3 emissions excluding financed emissions. The Firm does not intend to offset financed emissions.
- To promote governance, transparency and diversity at the Firm in a proportionate manner.

For more information about the Firm's responsible operations objectives, please refer to the Firm's own ESG policy. You can request a copy from the compliance officer at compliance@lightmanfunds.com.

Need for responsible investing

UNPRI defines Responsible Investment as the process of considering environmental, social and governance (ESG) issues when making investment decisions and influencing companies or assets (known as active ownership or stewardship). It complements traditional financial analysis and portfolio construction techniques.

Responsible investors can have different objectives. Some focus exclusively on financial returns and consider ESG issues that could impact these. Others aim to generate financial returns and to achieve positive outcomes for people and the planet while avoiding negative ones.

The Firm focusses on considering ESG risks for 100% of the portfolios and on generating positive outcomes for at least 50% of the portfolios. The Firm also aims to avoid negative outcomes for a 25% proportion of the selected portfolio.

The Firm considers that there are multiple reasons for incorporating a responsible investment philosophy in its investment process:

- Financial materiality – The Firm strongly believes that ESG issues impact financial risks and returns. It is important to consider such risks in assessing financial returns.
- Client demand – The Firm has witnessed demand from clients to incorporate ESG issues in its investment process.
- Policy and regulation – Several new regulations have meant that the Firm needs to consider ESG factors and disclose ESG performance of its investments and operations.
- Fiduciary duties – The Firm, as an investment manager, has a fiduciary duty to ensure that it acts with due skill, care and diligence towards investors' capital.
- Stakeholder consideration – All stakeholders, such as shareholders, vendors, clients and employees associate positively with a company that is considerate and conscious of ESG issues.

Firm's Responsible Investment Philosophy

The Firm's Responsible Investment policy is based on the following philosophy:

- Financial and ESG returns are complementary - The Firm views consideration of ESG issues as a complement and not a substitute to traditional fundamental analysis, i.e. both traditional and ESG analysis aim for lower risks and higher returns. It believes that portfolios that do not conduct appropriate ESG risk management are exposed to increased risks and reduced returns, while portfolios with well managed ESG issues can reduce risks and increase returns.
- Financial sustainability is a priority – The Firm believes that majority of investors prefer products that are considerate of sustainability factors, while still generating healthy investment returns. Accordingly, the Firm has implemented this policy to consider the most important sustainability factors, on a proportionate basis, while still focussing on generating investment returns and reducing sustainability risk.
- A successful responsible investment strategy needs a pragmatic approach - The Firm also believes that ESG integration does not mean the default exclusion of certain companies, sectors or countries. Further, the Firm does not believe that it needs to consider every ESG factor in every decision-making process or that it needs to change its core investment policy or process materially to accommodate ESG integration.

- Sustainability performance requires a long-term horizon – The Firm believes in long-term ESG performance of investee companies. It prioritises long-term rate of improvement in ESG performance over short-term performance or even current status. The products and portfolios that the Firm manages have a long-term (minimum 5 years) recommended holding period and it uses the same long-term view for achieving its responsible investment objectives.
- There is higher value in transitional sectors and companies – The Firm sees higher value in investee companies that are improving their sustainability profile over time. Further, it also sees higher value in such companies in comparison to companies that have already made significant achievements and are accordingly trading at a significant premium to their peers or the general market. The Firm prefers to work with the senior management and investor relations of such companies to witness and improvement in sustainability profile.
- ESG issues are relevant throughout the life cycle of investment – ESG issues are relevant throughout the investment process — from the initial analysis to ongoing ownership practices. The Firm monitors selected sustainability parameters on a regular basis to ensure that the investee companies continue to meet required standards.

The Firm realises that there are practical difficulties in integrating ESG issues into investment decision-making. Such issues include:

- Difficulties in assigning a monetary value to ESG issues and in integrating into quantitative models.
- Limited, unverified and non-standardized ESG disclosure by companies
- The long-time horizon required for ESG issues to materially affect prices and performance compared to a typical investor's horizon of a few years.

Firm's incorporation principles

Principle 1: ESG performance cannot be considered in isolation and cannot be considered independent of financial sustainability.

The Firm believes that the ESG performance of a portfolio company cannot be considered independent of its financial performance. The Firm does not believe in implementing positive or negative screens based on ESG factors alone. The Firm believes in incorporating ESG factors as one of the components of its portfolio company analysis, adjusting the standard financial metrics to reflect the impact of ESG factors.

Accordingly, if a portfolio company is generating recurring financial losses while creating positive ESG externalities, then it would not be a financially sustainable company, despite the positive ESG contributions. Likewise, if a portfolio company is generating financial profits while creating negative ESG externalities, then it would be appropriate to adjust the economic value of profits by incorporating ESG factors in the assessment of the fair value of the company.

Principle 2: ESG goals and momentum are more important than the current ESG score.

The Firm sees ESG performance in a similar manner to company earnings - in that the future outcome matters more than today's result. The ESG performance of a portfolio company should be reviewed with an assessment of how an ESG score is set to change over a medium-longer term time horizon. This future ESG outcome is considered more important than the current score.

The logic behind this philosophy is that investors allocate premium valuations to high scoring ESG companies. These valuation premiums, in isolation, can be a headwind to future returns. Investing in companies with improving ESG profiles can be viewed similarly to those companies with improving cashflow profiles; both can act as a catalyst to lift valuation.

In this way, our value approach focussing on improving operational performance can be applied to ESG scores.

Accordingly, the Firm does not reject portfolio companies simply based on historic and current ESG performance. The Firm considers the future ESG plans of portfolio companies and if it sees a strong action plan with potential to improve ESG performance it will be open to investing in such companies.

Principle 3: ESG performance is not considered for sector weight allocations.

The Firm believes that ESG goals and performance cannot be considered at the sector allocation level as each sector operates differently. Comparing sector metrices like "GHG per $revenue earned" would not be helpful, given these numbers would be very different for the steel sector for example versus the IT sector. Even the best GHG performing steel company today will likely be inferior to the worst performing IT company, resulting in complete sectors being discounted from the portfolio construction process – an outcome we seek to avoid.

Principle 4: ESG performance is best measured against a company's own previous performance and industry peers.

Mandatory regulatory performance expectations notwithstanding, the Firm believes that an important comparator of ESG performance is a portfolio company's own previous ESG performance. Assuming the portfolio company meets any required regulatory ESG performance benchmarks, the Firm seeks to find those companies whose performance is improving over time.

The Firm also considers companies in light of their industry peers, particularly with respect to environmental factors. Whilst we do not mandate investing in best in class industry operators, we aim to use class leading scores as a talking point and as a potential target for individual companies.

Principle 5: Compliance with UNPRI's principles, TCFD Guidelines and SFDR.

As a signatory to UNPRI, the Firm needs to comply with UNPRI principles for ESG integration. Please see the UNPRI section of the document for detailed information.

As a supporter of TCFD, the Firm needs to comply with TCFD guidelines for investment managers. Please see TCFD section of the document for detailed information.

As a firm managing the portfolio of an Article 8 SFDR fund, the Firm needs to comply with EU SFDR regulations for such products. Please see SFDR section of the document for detailed information.

ESG incorporation techniques

As discussed through the principles that the Firm follows, the Firm believes in incorporating ESG's risks in the financial assessment of a portfolio company. The Firm may include the risks qualitatively or quantitatively, depending on data availability and the resulting impact on valuation of the investee company.

This document discusses the techniques used by the Firm:

1. **Screening:** Screening involves applying filters to a universe of securities, issuers, sectors, or countries to decide whether to consider them for investment. The filter could be based on criteria from investor preferences or the managers' process or regulatory restrictions. Screening can be positive, or negative. Screening methods are generally mechanical and can completely exclude sectors and/or securities irrespective of financial returns.

   As an example, a company deriving some part of its global revenue through sale of weapons is screened out. Or a company that generates at least some part of its global revenues from Russia is screened out.

The Firm uses this technique to negatively screen securities, companies, sectors and/or countries based on investor preferences and international sanctions. The list in available under Annex 1 of this document.

2. **ESG Integration with materiality considerations:** Such strategies involve adjusting forecasted financials (such as revenue, operating cost, asset book value, capital expenditure, etc.) and/or relative valuation metrices (including PE, PB, PS ratios) and/or absolute valuation models (including the dividend discount model, the discounted cash flow model and adjusted present value model, etc.) for the expected impact of ESG factors. Some of the factors we can consider are:

    a. Evaluating income statement impacts of ESG factors such as environmental regulations, investor-demand, demand-supply impacts on input factors (raw materials, labour, capital etc.), demand-supply impacts on output factors (product, services etc.). Incorporating these impacts to estimates of the revenue and cost forecasts of the portfolio company. Revenue and cost forecasts can be adjusted by directly adjusting each revenue and cost number or by adjusting growth rates or margin rates for ESG risks and opportunities. EU ETS carbon allowance process and % of EBITDA that the company may need to spend will impact the profitability and valuation.

       Example – A carmaker may stop selling certain models of cars in a country due to environmental concerns, which is incorporated by adjusting forecasted revenue and revenue growth downwards. Or a certain manufacturing company may see material loss in production due to an increased number of shop-floor accidents and associated health and safety concerns, which is incorporated by adjusting capacity utilisation downwards, costs upwards and operating margin downwards. Alternatively, a steel manufacturer may see an increase in revenue from selling green steel to climate-conscious customers or there could be an increase in the domestic market share of a cement company from imposition of carbon border tax regime to imported cement.

    b. Evaluating balance sheet impacts of ESG factors to estimates of assets and liabilities forecasts. These adjustments could mean reducing the value of assets as impairment losses or increasing the value of assets as unlocked potential value. Likewise, for liabilities.

       Example – A mining company adjusting the value of its mining lease upwards to reflect new technology to extract previously inaccessible minerals in an ESG compliant manner.

c. Evaluating cash flow impacts of ESG to estimates of CAPEX and, cash flows etc.

   Example – Legislative changes could mean that an electricity producer will need to upgrade its coal power plants to meet new environmental regulations or technology improvement could mean that the same plant could meet environmental norms at a lower CAPEX.

d. Evaluating the impact of ESG factors on relative valuation metrics such as adjusting upwards or downwards ratios such as PE, PB, PS ratios, etc. Or absolute valuation models such as adjusting terminal value, discount rates, etc.

   Example – ESG factors could mean that the terminal value of an oil and gas company would be adjusted to zero (or even negative for clean-up costs). Or a new regulation promoting solar panels through government subsidy to consumers could increase demand and PE ratios for solar panel manufacturers.

e. Incorporating ESG factors such as health and safety measures, labour standards, governance structures, etc. to elements such as profit margins, etc.

The Firm incorporates ESG factors into portfolio companies' financial metrics (income statement, balance sheet and relative valuation). Typical examples include EU ETS program compliance costs, carbon border tax compliance, etc.

3. Economic analysis: Such strategies involve evaluating macro and micro economic impacts of ESG factors such as environmental regulations, border taxes on the country and sector of the portfolio company. Examples include adjusting forecasted growth rates to company financials, carbon border taxes on the competition landscape and EU ETS compliance costs.

   The Firm does integrate macro and micro economic impacts of ESG factors into its investment process.

4. Active ownership through engagement and stewardship: Such strategies involve use of investor powers such as dialogues, voting rights and other means of investor activism to influence companies' ESG approaches and performance. These strategies are more relevant for the monitoring of currently held portfolio companies or for influencing otherwise unattractive companies that have been screened out for ESG performance.

   Example – A company's executive pay can be affected through voting rights in the company, resulting in better principal-agency alignment. Or repeated requests from shareholders can result in a company changing an ESG approach.

The Firm relies proportionately on active ownership. The investment team regularly engages with the investor relations team to share expectations and gather information and the Firm pursues any such requests proportionately. The Firm relies on ESG specific recommendations made by Glass Lewis. We do not review each and every voting ballot and rely on our general voting policy.

ESG issues and materiality

There are various ESG issues to be considered. The Firm considers selected ESG issues and reviews its policies regularly to consider further issues.

Materiality refers to the concept of relevance of a sustainability indicator to a company, sector and/or country. Materiality can also refer to the relevance of an indicator to a portfolio or investor. For example,GHG emissions is an important issue for industrial, energy and materials companies but it is generally less relevant to a technology company. Likewise, data security is a more material issue to a technology or a financial services company compared to a real estate company.

There are several materiality frameworks available to be used. Key ones are from SASB (Sustainable Accounting Standard Board), GRI (Global Reporting Initiative) and MSCI..

SASB standards are industry-based, metric-driven standards that focus on risks and opportunities most likely to affect cash flows, access to finance and cost of capital. SASB standards enable integration of sustainability considerations into investment and stewardship decisions across global portfolios and asset classes. SASB standards are now managed by IFRS.

The GRI Standards are a modular system of interconnected standards. They allow organisations to publicly report the impacts of their activities in a structured way that is transparent to stakeholders and other interested parties.

The Firm considers a limited set of ESG factors. It currently puts the highest weight on climate change and net zero for all sectors. It considered a few indicators on a sector-specific basis.

Broad issue	Specific issue	Sector applicability	Comments (if any)
Environmental			
Climate change and carbon footprint	GHG emissions	All sector	Absolute and specific emissions
Climate change and carbon footprint	Financed emissions	Financial Services	
Climate change and carbon footprint	Climate change target and policy	All sectors	Targets can be aligned with Paris Agreement, verified under SBTi
Circular economy	Renewable energy generation/consumption	Industrial, materials .	% of fossil fuel used
Circular economy	Proportion of recycled raw material used	Industrial, material	Selected sectors
Social			
Data Security	Presence of data security policy	All sectors	Only voluntary monitored
Data security	Number of data breaches	Financial services, healthcare	Only voluntary monitored
Governance			
Board independence	No. of independent directors	All sectors	
Board diversity	Composition of board	All sectors	
Remuneration policy	Remuneration policy	All sectors	
Overall			
Transparency	ESG disclosure score	All sectors	
Transparency	ESG Reporting score	All sectors	

The Firm's responsible investment framework

The Firm's ESG integration framework is made of following broad stages:

Stage 1: Quantitative screening

- Stage 1.1: To comply with the investment policy of investing in value stocks (with low PE, low PB, low incremental CAPEX etc.) with certain minimum liquidity requirements (with minimum ADV), the Investment Manager initially implements a quantitative screen to reduce the stock universe to only those stocks that meet the core investment policy of the portfolio.

- Stage 1.2: The Investment Manager then implements sustainability screens as listed in Annex 1 to this policy. Example of screens includes negative screening for companies with exposure to Russia and negative screening for companies with exposure to cluster munitions.

Stage 2: Fundamental analysis

- Stage 2.1: For the stock universe remaining after stage 1, the Firm then conducts a detailed fundamental analysis using traditional factors such as revenues, costs and cash flows through standard valuation models (DCF, comparable etc.). Fair value of the company is calculated using standard models.

- Stage 2.2: In parallel, the Firm also Considers ESG risks and opportunities with impact on future cash flow and valuations.

- Stage 2.3: For these factors, the Firm gathers relevant ESG information from multiple sources such as company annual reports, investor relations interactions and the Bloomberg ESG database.

- Stage 2.4: The Firm then uses the ESG information (list of material factors and corresponding values) in one or more of the following ways.

    - The Firm interacts with the company to assess and make forecasts of future financial returns. In this process, material ESG factors are also considered and discussed.
    - The Firm adjusts fundamental analysis forecasts based on the positive/negative effects of the material ESG factors. The adjusted forecasts are then used to compute company valuation.

- The Firm may consider scenario analysis to consider the risk and opportunities of ESG factors on company return. Scenarios could include carbon price movement, commercialisation of new technologies, implementation of new regulations etc.

Stage 3: Quantitative analysis

- Stage 3.1: Where relevant, the Firm complements its fundamental analysis with additional technical/quantitative analysis.

    - The Firm's quantitative analyst, based on historical and more recent data on factors such as price, sales volume, momentum indicators etc. will generate an output of the market for the stock being bullish, bearish etc.
    - The Firm will also utilise ESG-specific quantitative metrics such as rate of change of GHG emissions, ESG scores, presence of climate change policies and climate change targets etc. The Firm measures these indicators against decided threshold to positively or negatively screen companies.

Stage 4: Investment decision

- Based on the analysis in stages 1-3 , the Firm will generate an investment decision to buy (or increase weight), hold (or maintain weight), or sell (or decrease weight) the portfolio company. If the Firm does not have a convincing case to take a decision, then the Firm might put stocks on watchlists (both for potential buy and sell) and continue its research analysis on the stock.
- The Firm will also consider the minimum ESG commitments made, such as minimum proportion of the portfolio to be invested in companies that achieve/meet selected sustainability performance. If an investment decision takes the portfolio outside of such limits,

Stage 5: Risk and performance monitoring

- The Firm monitors the portfolio's financial performance using comparator benchmark.
- The Firm monitors the portfolio's ESG performance using absolute improvement in a portfolio company's sustainability indicator and total weight of the portfolio demonstrating such improvement.
- ESG performance data is considered on an ongoing basis and as the ESG view of a company changes, the Firm updates its own investment analysis for the company.
- Monitoring is done at the individual stock level and at portfolio level.

- Monitoring is done using Bloomberg data, company reported data and proprietary models.
- Monitoring is performed on a regular basis, at least quarterly.
- The Firm also conducts regular performance attribution to understand the source of overperformance and underperformance. The Firm studies the ESG performance on its portfolios on a qualitative basis to understand the outliers.
- The Firm also engages with companies, mostly through communication with investor relations teams, shareholder meeting votes and as and when possible through other engagement tools to influence the company's direction and/or pace of ESG travel.

Risk Management

The Firm currently focusses extensively on risks from climate change. It is working towards incorporating other ESG specific risk factors into its risk management.

The Firm combines its ESG risk management with its traditional risk management, by incorporating the impact of ESG factors in traditional metrics such as revenue, earnings, margins and ratios.

The Firm recognises that climate change is a key risk to the value of its portfolios and if it does not manage that risk, it will impact the returns of its portfolios and in turn the financial viability of its own operations. Climate change risks include risks from:

- Transition to a low carbon economy – To control the effects of climate change it is important that steps are taken to contain release of GHG emissions. Required steps are being taken, guided by both legislative changes and consumer behaviour. As governments around the world are implementing new regulations to reduce GHG emissions, heavy emitters will have to pay a very high price to not change. Most likely, they will need to shut down operations, unless they significantly change their operating model. Any such change will be costly in the short term. Likewise, environmentally friendly operations will be less impacted by such changes. Even outside of regulatory changes, consumer preferences are changing towards products and services that are more environmentally friendly. The Firm considers the impacts of these changes in its investment process.
- Physical risks of climate change – Climate change will result in raised sea levels, extreme weather events like droughts and floods, water scarcity, etc. All of these will impact most companies in one way or another. For example, coastal assets such as power plants or manufacturing units could be below sea level due to raised sea levels, or droughts could make agricultural lands worthless, or floods could make supply-

chain difficult. The Firm currently does not consider physical risks of climate change extensively.

The Firm is aiming to utilise TCFD guidance for managing climate change-related risks. Once completed, the framework will look as follows. The most important element of the process is the identification of potential risks. Investment managers use the below risk matrix to identify potential risks and incorporate their impacts in the valuation of portfolio companies.

Currently, there are no standard procedures on how each of the below risks needs to be considered, and the Firm largely relies on case-by-case assessment conducted by the investment team. Likewise, for regular monitoring, the Firm currently relies on a case-by-case monitoring of portfolio performance against the identified risk parameters. The Firm is working towards formalising the process as it gains better understanding of the ESG integration process.

Type	Characteristics	Approaches	Possible Metrics
Policy and Legal	• **Differences in local, regional,** and **global** requirements and incentives • **Novel and uncertain effects** of policy and legal actions across jurisdictions • **Complex relationships** connecting different regulatory developments across different actors and departments	• Tracking of regulatory developments • Assessment of impact of regulation, including implications across operations, supply chains, and jurisdictions • Cross-functional, multidisciplinary collaboration to identify risks and implications • Scenario analysis focused on policy environment, sequence, timing, and relationships	• Financial impact of carbon pricing and emission trading • Asset write-off, asset impairment, and retirement cost • Number of nodes of influence connecting key policy developments • Number of relevant policy measures and development timelines • Number of lawsuits brought forward
Technology	• **Uncertain** role of different solutions and technologies over time, for different uses, and in different contexts • **Novel** technologies, capabilities, and applications • **Complex relationships** among market conditions, economics, and policy environment	• Technology assessment and forecasting • Maturity and readiness of technology • Cost-benefit analysis associated with key technologies • Analysis of organizational skills, knowledge, and capabilities associated with key technologies • Mapping of dependencies and enabling conditions (e.g., investment, policy) • Scenario analysis focused on technological development, use, deployment, and impact	• Cost of supply, rate of return, return on investment, and payback periods for different technologies • Product development effectiveness and cost • Time to market and research and development success rate • Capabilities across peers • Number of and effectiveness of collaborative research relationships • Number of patents

Market	• **Novel** dynamics and signals from supply-demand relationships affecting raw materials, products, and services • **Nonlinear** relationships affecting demand and costs • **Complex relationships** among policy, consumers, and societal context	• Analysis of trends in supply and demand for products and services • Comparison of company's position and strategy to competition • Engagement with customers and suppliers • Identification of merger and acquisition targets	• Market size • Growth potential • Commodity, product, and service pricing • Market coverage and share index • Opportunity and threat index • Product portfolio index • Revenue mix and sources
Reputation	• **Magnitude** of severity and scope of impact can rapidly change, often enabled by the internet and social media • **Novel** nature of responses and reactions as societal awareness and understanding shifts • **Interconnected** issues driving impacts and actions	• Use of social media, customer feedback, and market research to track customer sentiment and changing preferences • Evaluation of employee engagement and satisfaction • Identification of relationships between events and news and business and financial impacts	• Share price change • Competitors' market positions • Employee satisfaction level • Customer loyalty and retention level (e.g., net promoter score) • Changes in customer satisfaction • Media and social media sentiment • Number of new customers • Independent rankings and ratings

The Firm is currently building further on its ESG risk assessment methodology using the TCFD guidelines and the EU Taxonomy's recommended methodology for various sectors of interest. More details about the methodology are available from compliance@lightmanfunds.com.

Key risks identified for portfolio companies are recorded in the investment thesis and are reviewed on a regular basis. Key ESG risk and performance results are also discussed at regular investment committee meetings and at the Management Committee meetings.

In its regular monitoring, the Firm may consider how the investee company manages its ESG risk through internal programs such as new CAPEX to a low carbon operation, improved senior management commitment, improved accountability and transparency of ESG profile, etc.

Stewardship & Engagement

The Firm has a separate engagement policy that is published on its website as www.lightmanfunds.com. In summary:

– Engagement & Stewardship objective – The Firm believes in being long-term responsible stakeholder of the companies it invests in. The Firm engages with investor relations and senior management of companies it invests in to share expectations about sustainability and to understand the company's priorities on sustainability.

– Topics of engagement – The Firm generally focusses on climate change policies and targets, CAPEX and OPEX plans, senior management commitment, etc. Of particular interest are GHG emission reduction plans, renewable energy and recycling/reuse of raw materials.
– Engagement – the Firm's investment team regularly engages with investor relations of portfolio companies. During such conversations, the team discusses both traditional and ESG matters relevant to the Firm.
– Voting – The Firm uses Broadridge Proxyedge as its proxy voting provider. Further, the Firm receives recommendations with ESG aspects from Glass Lewis that is uses in its proxy voting decisions. Generally, the Firm accepts recommendations made by Glass Lewis. The Firm occasionally reviews recommendations made by Glass Lewis and overrides them where it seems appropriate. The Firm aims to vote for 100% of the ballot received.
– Physical attendance at meetings: The Firm does not believe in attending meetings physically, especially due to resource constraints and size considerations.
– Collaboration with other stakeholders: The Firm currently does not have the resources to collaborate with other stakeholders. The Firm however uses platforms such as PRI to monitor collaboration topics. The Firm also uses Glass Lewis to advise on class action topics.
– Conflict of interest – The Firm strongly believes that ESG performance is crucial part of financial performance and so it would not priorise short-term financial performance over long-term ESG performance. The Firm has a conflict of interest policy and a conflict of interest register.

Governance process

The Management Committee of the Firm is responsible for ensuring ESG elements are considered in its own operations and in the management of client portfolios. The Committee has approved this ESG policy and delegated the implementation of policy elements to the investment team. They are supported by an independent risk and compliance function.

ESG performance of the portfolio is reported and discussed at quarterly management committee meetings attended by senior management.

Monitoring process

The Firm has created a detailed monitoring plan to review the performance of various sustainability indicators at individual company and at portfolio level. Monitoring is conducted at least on a quarterly basis.

Reporting and Disclosure

The Firm makes several voluntary and regulatory disclosures of its ESG policies and performance.

- The Firm publishes its ESG policy, SFDR website disclosure, SRD engagement policy and UK FRC compliance statement on its website.
- The Firm publishes its UNPRI assessment report, SRD engagement summary disclosure and TCFD annual disclosure report on its website.
- The Firm's customers Waystone Management (UK) Limited and Altum Management Company (Luxembourg)_S.A. publish fund-specific ESG disclosure reports on their websites.

Annex 1: Screening

Screen	Positive/Negative	Portfolio
Companies that are exposed to cluster munitions, chemical, biochemical weapons etc.	Negative	LFLI01, ELEV06
Companies that derive any proportion of their revenue from Russia.	Negative	LFLI01, ELEV06

Annex 2: UNPRI

The Firm is a signatory to the UNPRI (United National Principles for Responsible Investment). As a signatory to UNPRI, the Firm needs to comply with UNPRI principles for ESG incorporation.

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes

The Firm took the following action points to implement this principle.

- Address ESG issues in investment policy statements – The Firm has developed a responsible investment policy, with an objective to invest at least 50% of the portfolio in companies that demonstrate an improvement in selected sustainability characteristics. The Firm has also categorised one of its funds as an Article 8 SFDR fund and committed to invest at least 50% of the portfolio in companies that are improving their absolute and/or specific GHG emission profile, while not materially harming any other sustainability indicator.
- Support development of ESG-related tools, metrics, and analyses – The Firm has implemented a detailed data-driven ESG monitoring that allows regular monitoring of the ESG performance of the portfolio. The Firm reports the ESG performance of its funds on an annual basis through published reports. The Firm is working to make the model and monitoring more automated and integrated with the portfolio construction process.
- Assess the capabilities of internal investment managers to incorporate ESG issues – The Firm has internal policies covering ESG objectives, integration process, monitoring metrices, and remuneration practices. The Firm also organises regular trainings and/or self-research session on ESG matters for investment managers.
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis – The Firm uses ESG focussed services of Glass Lewis for obtaining voting recommendations for shareholder votes. The Firm will continue to work with its research providers and investee companies to encourage integration of ESG factors.
- Advocate ESG training for investment professionals – The Firm provides regular ESG training to its investment professions. Such trainings are generally made up of internal research, classroom training, and online sessions.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices

The Firm took the following action points to implement this principle.

- Develop and disclose an active ownership policy consistent with the Principles – The Firm has developed and published its stewardship policy and voting policy. The policies talk about the Firm's commitment to implement stewardship and voting responsibilities.
- Exercise voting rights or monitor compliance with voting policy (if outsourced) – The Firm uses proxy voting mechanism to cast shareholder votes. The Firm has appointed Glass Lewis to provide recommendations on ballots. The Firm publishes voting summary records on a annual basis.
- Develop an engagement capability (either directly or through outsourcing) – The Firm engages directly with investee companies through their investor relations. The Investment Managers speak directly with the investee companies to discuss ESG and other relevant issues.
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights) – The Firm regularly reviews its responsible investment strategy to improve its coverage and commitment of ESG consideration.
- File shareholder resolutions consistent with long-term ESG considerations – The Firm currently does not propose or submit agenda items for shareholder meetings, but it has plans to improve engagement through use of shareholder voting rights.
- Engage with companies on ESG issues – The Firm discusses key ESG issues with investor relations and where applicable, senior management of investee companies. It discusses expectations and peer activities to create/strengthen management commitment towards relevant ESG issues.
- Participate in collaborative engagement initiatives – The Firm currently does not consider proportionate to collaborate with other investment managers on engagement topics.
- Ask investment managers to undertake and report on ESG-related engagement – The Firm publishes its engagement policies and shares selected engagement activities with investors (upon request).

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest

The Firm ensures that it focusses on companies that consider ESG issues in their operations. The Firm generally ensures that a minimum proportion of its companies have a climate change policy and are improving their ESG disclosure scores. The Firm took the following action points to implement this principle.

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative) – The Firm invests primarily in European and other developed markets listed companies that have regulatory obligations to report ESG performance.
- Ask for ESG issues to be integrated within annual financial reports- The Firm regularly engages with investor relations of investee companies to discuss various topics including ESG disclosures, transparency, and reporting. The Firm also monitors ESG disclosure scores and aims to invest in companies that are improving their ESG disclosure scores over the long term.
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact) – The Firm monitors membership/compliance with key global initiatives such as UNPRI by its investee companies. .
- Support shareholder initiatives and resolutions promoting ESG disclosure – The Firm supports ESG initiatives by using ESG assessed recommendations from Glass Lewis.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry

By being a signatory and by disclosing its own ESG performance, the Firm is promoting ESG principles. The Firm has included its UNPRI signatory status on its website and publishes this responsible investment policy on its website. The Firm took the following action points to implement this principle.

- Include Principles-related requirements in requests for proposals (RFPs) – The Firm has developed an ESG RFP document that talks about the ESG strategy followed by the Firm in its investment process and operations process. The Firm gathers information on sustainability indicators such as total GHG, specific GHG, compliance with international association principles etc. as part of its investment screening and regular monitoring. The Firm consumes several ESG specific publications from investee companies in its investment process.
- Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate) – The Firm includes its ESG philosophy and process in its investment presentations to investors. It has also categorised one of its funds as an Article 8 SFDR fund. The Firm has developed a detailed monitoring program with multiple sustainability indicators and makes sustainability performance a part of its annual performance reviews.
- Communicate ESG expectations to investment service providers – The Firm's key service providers are large listed and regulated organisations such as Link Group, and Northern Trust that have implemented advanced ESG infrastructure towards

improving their own operations. The Firm will start communicating its ESG expectations (on a proportionate basis) to smaller service providers as well.

- Revisit relationships with service providers that fail to meet ESG expectations – The Firm considers ESG as an enabler and is works on a case by case basis to understand ESG standards of its service providers.
- Support the development of tools for benchmarking ESG integration – The Firm benchmarks its performance against its own historical performance. It considers absolute performance in its assessment. Similarly, for investee companies, it considers absolute improvement as benchmark for performance measurement. The Firm is working to integrate SBTi based target as benchmarks for measuring GHG performance.
- Support regulatory or policy developments that enable implementation of the Principles – The Firm aims to provide stakeholder inputs to consultations, surveys etc. conducted by regulatory and commercial bodies.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles

The Firm took the following action points to implement this principle.

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning – The Firm actively engages with its clients, underlying investors, and investee companies to understand their ESG requirements and endeavours to prudently implement them along with the other objectives of financial returns.
- Collectively address relevant emerging issues – The Firm is working towards creating ability to collaborate with other investors and stakeholders to collectively address emerging issues.
- Develop or support appropriate collaborative initiatives – The Firm is working towards creating resources and ability to collaborate with other investors and stakeholders.

Principle 6: We will each report on our activities and progress towards implementing the Principles

The Firm being a signatory to UNPRI has an obligation to annually report its own ESG activities, the report being further available to a wide group of peers and investors. We also include our ESG strategy and performance in other published reports such as fund annual report, fund marketing presentation etc. One of our funds is an Article 8 SFDR product while the other is covered under the FCA ESG Handbook disclosure requirements. For both the funds, key performance metrices are published annually.

- Disclose how ESG issues are integrated within investment practices – The Firm includes its investment philosophy and incorporation techniques in this document, published on its website. The Firm also provides further details in its marketing presentation to investors, fund prospectus published on website, and fund annual reports, again published on website. The Firm (and its service providers such as Link Group) publishes further ESG disclosure reports on their websites.
- Disclose active ownership activities (voting, engagement, and/or policy dialogue) – The Firm publishes key aspects of its engagement and voting policies and annual performance as part of compliance with the EU Shareholders Rights Directive, on its website.
- Disclose what is required from service providers in relation to the Principles – The Firm is working to create requirements for service providers. The Firm will set expectations proportionately and will need to apply the principle only to selected vendors.
- Communicate with beneficiaries about ESG issues and the Principles – The Firm discusses ESG philosophy, strategy, and performance with key investors and clients on a regular basis. The Firm (and/or its service providers) also publish annual ESG performance for the funds it manages.
- Report on progress and/or achievements relating to the Principles using a comply-or-explain approach – The Firm submits an annual report to the UNPRI and makes its assessment score available to investors and other stakeholders.
- Seek to determine the impact of the Principles – The Firm regularly reviews and updates its responsible investment strategy, disclosure details etc. that are designed to comply with the principles.
- Make use of reporting to raise awareness among a broader group of stakeholders – The Firm promotes its ESG philosophy and UNPRI signatory status to a wide group of stakeholders.

Annex 3: TCFD

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. In 2023, the TCFD was disbanded and the supporter list discontinued. Firms are able to implement similar reporting through IFRS Sustainability Reporting Standards.

Until the supporter registry existed, the Firm used to a supporter of the TCFD. As a supporter, the Firm needed to implement the recommendations of TCFD.

The Firm has decided to not implement Sustainability Reporting yet. However, it will continue to follow the TCFD recommendations in its investment activities. Further, the Firm manages portfolio of a UK UCITS fund that is subject to separate FCA requirements that are derived from the TCFD. So, TCFD continues to remain relevant to the Firm.

The transition to a lower carbon economy presents significant risks and opportunities for organisations, including asset managers. The Firm considers transition risks as key risk and has implemented relevant measures in its materiality framework and ESG integration process.

TCFD classified climate related risks under two primary categories:

1. Physical risk - Physical risks relate to actual physical damage caused by the impacts of climate change. Such risks include loss of revenue or asset value from flooding, weather pattern changes, sea level rise etc.
    a. As example – real estate assets in certain locations might not be usable anymore. Or weather changes might impact agricultural output.
2. Transition risk – Transition risk refers to risks of loss of revenue, increase of costs, depreciation of asset value from demand-supply changes in response to climate policies, new technologies, consumer behaviour and industry changes.
    a. Policy and legal risks – Policies to constraint harmful activities or policies to promote adaptation. Legal risks from litigation claims. Examples include emission capping, energy efficiency, sustainable land use practices etc.
    b. Technology risks – Changes in technology means demand pattern shifts, operational changes, cost implications.
    c. Market risks – Demand and supply of commodities, products, services etc.
    d. Reputation risk – No action could lead to loss of credibility.

Both the risks are relevant to the Firm, with transition risks more relevant.

Disclosure Recommendations (Content to disclose)

TCFD developed four widely adoptable recommendations on climate related financial disclosures. These are:

1. Governance: Disclose the organisation's governance around climate related risks and opportunities.
    a. Describe the board's oversight of climate related risks and opportunities
        i. Process and frequency by which the board and/or board committees (e.g. audit, risk, or other committees) are informed about climate-related issues,

    ii. Whether the board and/or board committees consider climate issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and diverstitures, and
    iii. How the board monitors and oversees progress against goals and targets for addressing climate-related issues.
  b. Describe management's role in assessing and managing climate-related risks and opportunities
    i. Whether the organisation has assigned climate-related responsibilities to management-level positions or committees; and if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues;
    ii. A description of the associated organisation structure(s)
    iii. Processes by which management is informed about climate-related issues
    iv. How management (through specific positions and/or management committees) monitor climate-related issues.
2. Strategy: Discloses the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning where such information is material.
  a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
    i. A description of what they consider to be the relevant short, medium, and long term time horizons, taking into consideration the useful life of the organisation's asset or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms.
    ii. A description of the specific climate-related issues for each time horizon (short, medium, and long term) that could have a material financial impact on the organisation, and
    iii. A description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organisation.
  b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
    i. Organisations should consider including the impact in their businesses and strategy in the following areas: products and services, supply chain, value chain, adaptation and mitigation activities, investment in research and development, and operations.
    ii. Organisations should describe how climate-related issues serve as an input to their financial planning process, the time period used, and how the risks and opportunities are prioritised.
    iii. Organisations should consider including in their disclosures the impact on financial planning in the following areas: operating costs and

revenues, capital expenditures and capital allocation, acquisitions or divestments, and access to capital.

   c. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
      i. Where their strategies may be affected by climate-related risks and opportunities
      ii. How their strategies might change to address such potential risks and opportunities
      iii. The climate related scenarios and associated time horizon(s) considered.
3. Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks.
   a. Describe the organisation’s process for identifying and assessing climate-related risks.
      i. Organisations should describe whether they consider existing and emerging regulatory requirements relating to climate change (e.g. emissions cap) as well as other relevant factors considered such as the processes for assessing the potential size and scope of identified climate-related risks and definitions of risk terminology used or references to existing risk classification frameworks used.
   b. Describe the organisation’s process for managing climate-related risks.
      i. In describing their processes for managing climate-related risks, organisations should address the risks as recommended by TCFD.
   c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.
      i. Organisations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.
4. Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
   a. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.
      i. Organisations should consider including metrics on climate-related risks associated with water, energy, land-use, and waste management where relevant and applicable
      ii. Where climate-related issues are material, organisations should consider describing whether and how related performance metrics are incorporated into renumeration policies.
      iii. Where relevant, organisations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy.
      iv. Metrics should be provided for historical periods to allow for trend analysis. In addition, where no apparent, organisations should provide a description of the methodologies used to calculate or estimate climate-related metrics.
   b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

    i. GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organisations and jurisdictions. As appropriate, organisations should consider providing related, generally accepted industry-specific GHG efficiency ratios.
    ii. GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis.

c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.
    i. Organisations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage etc. in line with anticipated regulatory requirements or market constraints or other goals.
    ii. In describing their targets, organisations should consider including the following – whether the target is absolute or intensity based, timeframes over which the target applies, base year from which progress is measured, and key performance indicators used to assess progress against targets.

Scenario Analysis

The Task Force recommends that organizations describe the resilience of their strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario, where such information is material.

Scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts. Instead, scenarios provide a way for organizations to consider how the future might look if certain trends continue or certain conditions are met.

Disclosure Principles

TCFD developed a set of fundamental principles for effective disclosures. These principles can help achieve high quality and decision useful disclosures. TCFD encourages organisations adopting its recommendations to consider these principles as they develop climate related financial disclosures.

Principle 1: Disclosures should present relevant information

The organisation should provide information specific to the potential impact of climate-related risks and opportunities on its markets, businesses, corporate or investment strategy, financial statements, and future cash flows.

- Disclosures should be eliminated if they are immaterial or redundant.
- Disclosures should be presented in sufficient detail
- Disclosures should consider the intensity, speed, and time frames of climate-related impacts.

- Disclosures should be specific instead of generic.

Principle 2: Disclosures should be specific and complete

The organisation should provide information that is thorough, covering key information such as nature and size of impact, organisation's governance strategy, process for managing risks, and performance monitoring information.

- Disclosures should be thorough and exhaustive
- Disclosures should contain historic and future oriented information
- Quantitative disclosures should include definition and scope applied, assumptions used etc.
- Any scenario analysis should be based on data or other information used by the organisation for investment decision making and risk management.

Principle 3: Disclosures should be clear, balanced and understandable

- Disclosures should provide both summarised and granular information to meet the needs of a range of users.
- Disclosures should provide both qualitative and quantitative information
- Quantitative disclosures should be accompanied with a narrative explanation
- Disclosures should be jargon-free

Principle 4: Disclosures should be consistent over time

- Disclosures should enable comparisons over time. It should use consistent formats, language, and metrics from period to period.
- Where changes to approaches or formats are necessary to improve outcomes, such changes must be explained.

Principle 5: Disclosures should be comparable among organisations within sector, industry or portfolio

- Disclosures should allow meaningful comparisons across peers
- Disclosures should be published using the industry best practice

Principle 6: Disclosures should be reliable, verifiable and objective

- Disclosures should provide high quality reliable information. They should be accurate and neutral – i.e. free from bias.
- Future oriented disclosures should be based on the right mix of judgement, objective data, and best in class measurement methodologies.
- Disclosures should be backed by verifiable data and calculations.

Principle 7: Disclosures should be provided on a timely basis

- Disclosures should be reviewed and updated on an annual basis.
- Disclosures to be updated to reflect any material financial impact.

Annex 4: SBTi

The Science Based Targets initiative (SBTi) is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It allow organizations to set science-based emissions reduction targets. Targets adopted by companies to reduce GHG emissions are considered “science-based” if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement—to limit global warming to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C.

The Firm has not currently committed to SBTi, but the senior management is actively considering setting up science based targets for its operations and portfolio. Currently, the Firm has taken a non-binding Scope 3 financed emissions target of portfolio coverage of 25% by 2030 and 50% 2035. The Firm acknowledges that this is not in line with

SBTi target setting approaches for financial institutions

- Sectoral Decarbonisation Approach (SDA) – Emissions based intensity targets are set for individual sectors. The Firm will then aim to invest in companies whose performance is better than the sectoral benchmark.
- SBTi Portfolio Coverage Approach – Minimum portfolio weight to have SBTI approved targets, such that the Firm is on a linear path to 100 percent portfolio coverage by 2040. The Firm will likely use this approach as it already monitors this performance on a non-binding basis.
- The Temperature Rating Approach – Ensure that the temperature rating of the portfolio matches the Firm’s target and with 2050 net zero target.

SBTi recommends the following criteria for financial institutions:

GHG emissions inventory and target boundary setting criteria and recommendations

FI-C1 – Scopes: Financial institutions shall decide organisational and operational boundaries for inventory calculation and target setting. Organisationally, targets should be set a parent level. Operationally, scope should include at least Scope 1 and 2 emissions. Scope 3 emissions from investment and lending) should also be included and in in fact most significant for financial institutions.

The Firm will include all group companies and Scope 1+2+3 in its inventory and target boundary.

FI-C2 – Significant thresholds: Include at least 95% of scope 1 and scope 2 emissions in the inventory and also in the target.

The Firm will include 100% of its measurable Scope 1+2 emissions.

FI-C3 – GHGs: Scope 1 and 2 to include all GHGs. Scope 3 to cover at least CO_2.

The Firm will consider all GHGs for all scopes based on reporting and data quality.

FI – C4: Bioenergy accounting: Financial institutions to cover direct emissions from operational use of bioenergy sources. Also include in their targets.

This is not relevant to the Firm as the Firm does not produce any heat and power.

FI – C5: Subsidiaries – Financial institutions should only submit target at parent level and not at subsidiary level.

The Firm will create inventory and targets at the parent level.

Scope 1 and scope 2 target timeframe

FI – C6: Base and Target Years – Targes must cover a minimum of 5 years and a maximum of 15 years from the date the target is submitted to the SBTi for an official validation.

The Firm will create short, medium, and long term targets within the required timeframes.

FI-C7: Progress to Date – Targets that have already been achieved by the date they are submitted to the SBTi are not acceptable. SBTi only assesses forward-looking targets. Furter, the latest GHG emissions inventory cannot be more than 2 years old.

The Firm will create forward looking targets only.

Scope 1 and 2 target ambition

FI-C8: Level of ambition – At a minimum, scope 1 and scope 2 targets should be consistent with the level of decarbonisation required to keep global temperature increase to well below 2°C compared to preindustrial temperatures, though financial institutions are encouraged to pursue greater efforts towards a 1.5°C trajectory. Both the target time frame ambition (base year to target year) and the forward-looking ambition (most recent year to target year) must meet this ambition criteria. Even though Scope 3 investments (category 15 of GHG Protocol Scope 3) is most relevant to financial institutions, Scope 1+2 targets with well below 2°C pathway is a minimum requirement for financial institutions.

The Firm will target well below 2°C pathway for Scope 1+2 and at least 2°C pathway for Scope3 3.

FI-C9: Absolute vs Intensity – Intensity targets for scope 1 and scope 2 emissions are only acceptable when they lead to absolute emissions reduction in line with climate scenarios for keeping global warming to well below 2°C or when they are modelled using an approved sector pathway. Absolute reductions must be at least as ambitious as the minimum of the range of emissions scenarios consistent with the well-below 2°C goal or aligned with the relevant sector reduction pathway within the sectoral decarbonisation approach.

The Firm will set absolute targets for Scope 1+2 emission reduction.

FI-C10: Method validity – Target must be modelled using the latest version of methods and tools approved by the initiative. Targets using previous versions can only be used for a maximum of 6 months.

The Firm will ensure that it uses the latest versions of tools and guidance.

FI-C11: Offsets – The use of offsets are not counted as emission reduction towards targets. Only reductions through direct action within own operations or through investment are acceptable.

The Firm will not consider use of offsets as meeting its SBTi targets. If it uses offsets, those will be for separate carbon neutral operations status.

FI-C12: Avoided emissions – Avoided emissions fall under a separate accounting system from corporate and financial institutions' inventories and do not count towards science-based targets.

The Firm will not consider avoided emissions as meeting its SBTi targets. It will only use actual inventory to demonstrate progress.

Scope 2

FI-C13: Approaches – Financial institutions shall disclose whether they are using a location or market based approach in line with GHG Protocol Scope 2 guidance. The same method should be used consistently.

The Firm currently operates its operations from shared office space and data centres. It has little control on the source of electricity and heat utilised at these locations. It has control on the location of these facilities and in-situ the average grid emission faced by such locations.

FI-C14: Renewable electricity procurement - Target to actively source renewable electricity at a rate that is consistent with well-below 2°C scenarios are an acceptable alternative to scope 2 emissions reduction targets. The SBTi has identified 80 percent renewable electricity procurement by 2025 and 100 percent by 2030 as threshold (portion of renewable energy over total energy use) for this approach in line with the recommendations of RE100.

The Firm currently operates its operations from shared office space and data centres. It has little control on the source of electricity and heat utilised at these locations. The Firm however has set up operations in countries that have taken net zero emissions targets and are improving their average grid emissions in line with net zero pathways. So, the Firm will be a beneficiary of that. The Firm has no control on using renewable energy exclusively at its sites.

Scope 3 – Portfolio target setting requirements

FI-C15: Requirement to set target(s) on investment and lending activities – All financial institutions shall set target on their investment and lending activities irrespective of the share of quantified scope 3 portfolio emissions as compared to total scope 1+2+3 emissions of the financial institution.

The Firm considers that it it important to set targets for Scope 1+2+3 including financed emissions.

FI-C16: Portfolio target boundary – Financial institutions shall set targets on all "Required Activities" in the Required Activities and Methods Table following the minimum boundary coverage requirement. Only listed equity – common stock and listed equity - preferred stocks are applicable to the Firm. 100% of such investments are covered in the scope.

The Firm will cover 100% of its equity portfolio. The Firm sometimes invests in derivatives and for such exposures, it will not be able to clearly demonstrate emission reduction unless such data is available from the derivative provider or underlying of the derivative. The Firm will also hold cash and it will not be able to clearly demonstrate emission reduction for cash proportion.

FI-C17.1: Sectoral Decarbonisation Approach Targets – Financial institutions need to ensure that selected proportion of portfolio companies have emissions intensity below the benchmark intensity for the sector as calculated by SBTi for that sector to achieve net zero.

- Boundary: Coverage is only required for selected sectors. Even within that list, some sectors are mandatory and others are optional. Financial institutions need to select SDA based checks for at least its real estate and electricity generation investment activities. They can select SDA for other activities as well, although that is optional.
- Ambition: Well below 2°C.
- Timeframe: Minimum 5 years and maximum 15 years from the date of submission to SBTi.
- Scope: Scope 1 + 2 for real estate and electricity generation related activities.

The Firm will not utilise this target setting approach as it has very little investment in SDA mandatory sectors.

FI-C17.2: SBTi portfolio coverage targets - Financial institutions need to pursue portfolio companies to commit to science based targets.

- Boundary: Boundary is decided at financial activity level. 100% of listed equity investments (common and preferred) need to be covered.
- Target level of ambition: 100% portfolio coverage by 2040 on a linear path. As example, the current coverage (2024) is 20% and 2040 coverage needs to be 100%, then 90% needs to be achieved over 16 years, i.e. 5% per year.
- Target formulation: Proportion of portfolio coverage using the weighting approach in the SBTi Finance Tool.
- Target time frame: Portfolio coverage must be achieved within a maximum of 5 years from the date of target submission for validation. Fulfilment means approval of portfolio company by SBTi.
- Scope of investee company: At least Scope 1 +2 and Scope 3 where Scope 3 > 40% of Scope 1+2+3.

The Firm will utilise this approach for target setting. It will commit to a 100% coverage by 2040 and set intermediate targets based on linear reduction trend. The Firm will aim to cover Scope 1+2+3 for all portfolio companies irrespective of the 40% threshold.

FI-C17.3: Portfolio Temperature Ratings Targets: Financial institutions target to align the temperature rating of their portfolios with ambitions of the Paris Agreement.

- Boundary: Boundary is decided at financial activity level. 100% of listed equity investments (common and preferred) need to be covered.
- Target level of ambition: Scope 1+2 to be aligned to well below 2°C (such as 1.75°C) by 2040. Scope 1+2_3 to at least 2°C by 2040. Separate targets should be set for Scope 1+2 and Scope 1+2+3. Linear progress is expected. Annual reduction rate = (Final – Current)/Years.
- Target time frame: Alignment targets must be fulfilled within a maximum of 5 years from the target submission date.

- Scope of investee targets: At least Scope 1 +2 and Scope 3 where Scope 3 > 40% of Scope 1+2+3.

The Firm will not utilise this approach, but it will voluntarily monitor its portfolio temperature rating performance as a secondary measure.

Reporting

FI-C18: Disclosure of target portfolio coverage – Financial institutions need to disclose the target on the SBTi website at time of target announcement and target approval.

The Firm will disclose its commitment by publishing on its website and SBTi website.

FI-C19: Implementation reporting – At the time of target submission, the financial institution shall submit a brief summary of how it intends to meet its scope 3 portfolio targets in conformity with the template provided in the target submission form.

The Firm will provide relevant information to SBTi and on its published disclosure report.

FI-C20: Tracking and reporting target progress – Annual reporting and disclosure on financial institution's website and/or annual report of Scope 1+2 emissions, progress against approved targets and actions taken to meet Scope 3 portfolio targets.

The Firm will provide annual performance reports in the right timeline on its website.

Recalculation and target validity

FI-C21: Mandatory target recalculation – Targets must be reviewed and it necessary, recalculated and revalidated. Revalidation must be achieved every 5 years at least.

The Firm will review and recalculate targets at least every 5 years.

FI-C22_ Target validity – Targets need to be announced publicly on SBTi website within 6 months of target approval. Targets unannounced after 6 months will become invalid.

The Firm will publish commitment disclosures in a timely manner.

Method for setting Scope 1 and Scope 2 SBT for financial institutions

Three methods are available to set Scope 1+2 emission reduction targets.

- Absolute contraction
- Physical intensity contraction
- Economic intensity contraction

The Firm will use absolute contraction approach for Scope 1+2 targets. The Firm will ensure that its contracts its emissions by at least 2.5% to keep its Scope 1+2 emission to the well below 2°C target.

Method for setting Scope 3 financed emissions for SBT for financial institutions

Financial institutions have three methods:

- Sector decarbonisation approach
- Portfolio coverage approach
- Temperature rating approach

The Firm has decided to use portfolio coverage approach. This means that by 2040, 100% of the portfolio companies should have approved science-based emission reduction targets.

Annex IV: SFDR

SFDR is only applicable to the following products/portfolios:

Product/Portfolio	SFDR type
Lightman European Equities Fund	SFDR Article 8

The Firm currently maintains a separate SFDR document pack that is made up of:

- Firm and product level SFDR disclosure on its website
- Product level pre contractual SFDR disclosure in the prospectus
- Product level annual performance dislcosure in the annual annual report of the product.

Further details are available upon request from the compliance officer at comliance@lightmanfunds.com

Annex 5: FCA Handbook and SDR

The UK FCA introduced ESG rules and guidance through the COBS ESG sourcebooks. COBS ESG was also used to implement the Sustainability Disclosure Regulation (SDR) in 2024.

These rules cover mandatory disclosure for certain asset managers, voluntary marketing labels for certain products and services, and mandatory anti-greenwashing rules for all firms.

The Firm is below the threshold of mandatory disclosure for asset managers. It is important to note thought that one of the Firm's customer – Waystone Management (UK) Limited is covered under the mandatory disclosure requirement and produces a TCFD fund level report for the WS Lightman Investment Funds.

The Firm has decided to not utilise any sustainability labels in its product names, so those sections are not currently applicable to the Firm.

The Firm does utilise sustainability-related terms such as "ESG", "climate", "net-zero", "environment", "responsible" in its marketing documents. Its communications are limited to professional clients only and it does not make communications directed to retail clients in the UK. None of the official documents such as prospectus, KID/KIID, annual report etc. that are produced for use by both retail and professional clients mention restricted sustainability related terms.

Accordingly, the Firm is only subject to selected requirements of COBS-ESG as listed under ESG 3.1.2R(1). The Firm has created its own anti-greenwashing policy and procedures. In summary, these cover the following:

1. Communication approval process – In line with ESG 4.3.1R, the Firm ensures that all written documents used for communicating the sustainability characteristics of the Firm, its products and services are reviewed to ensure that these are consistent with the product's actual characteristics and that all associated communication remains fair, clear and not misleading. The Firm has taken account of the guidance published by the FCA.
    a. Correct and capable of being substantiated.
    b. Clear and presented in a way that can be understood.
    c. Complete – should not omit or hide important information and should consider the full life cycle of the product or service.
    d. Comparison to other products or services are fair and meaningful.
2. Training – Individuals responsible for communications are provided regular training on regulatory requirements.
3. Data – The Firm is setting to work with its distributors to gather essential data to understand that the communication and perception in the sales value chain. The Fir's Sales Director also speaks with distributors directly to gather feedback.
4. Reporting and disclosure – The Firm does not use sustainability label for products that it manages or promotes. However, it will consider producing pre and post contractual disclosures in line with ESG4.5.3.8R(3) to promote transparency for unitholders of the products it manages. The Firm will also confirm that its products do not have any UK sustainable investment label. All these publications will be made on the Firm's website

of the Fund’s website. It is important to note that reporting and disclosure rules come into force on 02 December 2024.

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