

PAYDEN GLOBAL SIM SPA

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”)

The following document sets out and clarifies how Payden Global SIM SpA (the “**Firm**” or “**Payden**”), as a financial market participant under SFDR, integrates sustainability risks in its investment decision making process relating to the portfolio management services provided by the Firm, as defined in in point (8) of Article 4(1) of Directive 2014/65/EU (the “**MiFID II**”), as well as whether it considers principal adverse impacts of investment decisions on sustainability factors.

INTEGRATION OF SUSTAINABILITY RISKS INTO INVESTMENT DECISION MAKING

When assessing the sustainability risks associated with underlying investments, the Firm is assessing the risk that the value of such underlying investments and, consequently, of the portfolios it manages could be materially negatively impacted by an environmental, social or governance (“**ESG**”) event or condition (“**ESG Event**” and “**Sustainability Risks**”).

The management of Sustainability Risks forms part of the investment process implemented by the Firm for the products for which the Firm provides portfolio management. The Firm also draws attention to disclosure made at www.payden.com/ESG in relation to the sub-funds of Payden Global Funds plc.

The Firm integrates Sustainability Risks assessment into its investment process in accordance with the status of its parent organisation, Payden & Rygel, as a signatory to the Principles of Responsible Investment since 2013 and as a member of the Sustainable Accounting Standards Board (SASB) Alliance, with the aim of achieving a broader and deeper understanding of the risks associated with each investment opportunity to be implemented on behalf of the managed portfolios, as well as of generating sustainable returns over the long term. Payden & Rygel acts as the coordinator of the group’s ESG resources. In such a role, Payden & Rygel supports the Firm’s investment processes by providing advisory services that encompass ESG analysis.

The Firm’s investment process is dynamic and is designed to be adaptive to changing market conditions, data coverage and developments in global sustainability analysis and may therefore change over time.

Sustainability Risks are identified, monitored and managed by the Firm using both quantitative and qualitative processes and the tools described herein within a customised framework developed by Payden & Rygel in consultation with the Firm. The tools used will vary from product to product as each separately managed account for which the Firm performs portfolio management is tailored to the needs and requirements of the client concerned. The Firm ensures applicable consistency in the manner of how these tools are used across each product through the oversight of its own Investment Committee (“**IC**”) and its participation in the group-wide Payden & Rygel ESG Committee. The Firm adopts the “best-in-universe” approach to ESG data where leading or best-performing investments within a universe, category, or class are selected or weighted based on ESG criteria.

The following tools and approaches are used by the SIM in order to identify, monitor and manage Sustainability Risks:

- (a) **Country Scorecard**– this is Payden & Rygel’s proprietary assessment framework for emerging market countries. The framework uses various ratings and weightings including ESG factors in scoring emerging market countries. The Firm utilises country scores to evaluate its willingness to invest or continue investing in a particular country. The scorecard methodology is based on a combination of macro-economic and ESG factors, a qualitative assessment of these factors and a weighting and score.

The Country Scorecard is binding on the Firm’s assessment and the scoring and weighting analysis is used on an integrated basis in the overall investment process. However, any particular score or weight does not lead to automatic exclusion or inclusion of a country in that process. ESG factors on the scorecard receive a weight of between 20-40%, ensuring these factors play a key role alongside traditional economic analysis.

- (b) **Corporate Framework** – this is Payden & Rygel’s proprietary corporate assessment framework covering corporate issues and equities in both emerging and developed markets. This framework assessment is not binding on the Firm but, where applied, is given weight in the Firm’s assessment of a corporate issuer.
- (c) **Developed Sovereign Issuers Assessment Framework** – this is Payden & Rygel’s proprietary framework for the assessment of developed sovereign issuers. This framework assessment is not binding on the Firm but, where applied, is given weight in the Firm’s assessment of a developed world sovereign issuer.
- (d) **Securitised Sub-Sector Materiality Frameworks** – proprietary tailored frameworks for relevant securitised products to inform investment-decision making in the context of ESG factors. These frameworks are not binding on the Firm but, where applied, are given weight in the Firm’s assessment of the relevant securitised product.
- (e) **Input from third party data providers** including, but not limited to, MSCI ESG Research, MSCI Carbon Metrics, Sustainalytics, CDP, Bloomberg New Energy Finance, Bloomberg and Risq (“**Data Providers**”). The use of such Data Providers may evolve or discontinue over time at the discretion of the Firm in consultation with Payden & Rygel.
- (f) **Application of third party ESG review standards** including Sustainability Accounting Standards Board (“**SASB**”) Standards, the Principles for Responsible Investment, the Taskforce on Climate-Related Financial Disclosure recommendations, and the United Nations Global Compact.

In undertaking portfolio management activity on behalf of a client, the Firm uses applicable tools which may include (a) the application of third party reporting standards and (b) ESG metrics of Data Providers in order to screen the relevant investment against Sustainability Risks and to identify whether it is vulnerable to such risk. The Firm also conducts, or procures from the Payden & Rygel, fundamental analysis on each potential investment using the scorecard and frameworks outlined above, thus allowing the Firm to assess the adequacy of ESG programmes and practices of an issuer and to manage the Sustainability Risks it faces.

During the life of the investment, Sustainability Risks are monitored through review of ESG data published by the issuer (where relevant) or by selected Data Providers to determine whether the level of Sustainability Risks has changed since the initial assessment has been conducted.

ASSESSMENT OF THE ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

As at the date of this document, the Firm does not consider adverse impacts of investment decisions on sustainability factors within the framework of the SFDR. The Firm is undertaking preparatory work in consultation with Payden & Rygel to consider these impacts, to devise and implement associated due diligence policies and to report on the same. The Firm therefore considers it prudent to monitor the evolution in the implementation of SFDR and to evaluate developments in the availability of data and evaluation methodologies with the aim of implementing the consideration of adverse impacts in conjunction with application regulatory deadlines.

Without prejudice to the above, the Firm in any case excludes companies producing tobacco and tobacco-related products from the potential universe in which the portfolios managed may invest. However, in respect of the other processes, assessments, filtering and restrictions referred to in this statement, full discretion is retained by the Firm in respect of the investment decisions delegated to it by each relevant client, to ensure that a qualitative ESG assessment may still be made, including where there may be a lack of data, outdated data or the Firm considers that engagement and stewardship may lead to a more effective and positive change in the business practices affecting ESG characteristics.

INTEGRATION OF SUSTAINABILITY RISKS IN THE REMUNERATION POLICY OF THE FIRM

The remuneration policy of the Firm is structured so as to ensure that it is consistent with the integration of Sustainability Risks in the investment decision making process, as contemplated pursuant to Article 5 of SFDR.

In this regard the structure of remuneration of the Firm is consistent with the following principles:

- (a) promotion of sound and effective risk management with respect to Sustainability Risks;
- (b) no encouragement of excessive risk-taking with respect to Sustainability Risks; and
- (c) remuneration is not directly dependent on the performance of the investment services provided by the SIM.

10 March 2021