

Nutshell Asset Management Limited Sustainability Risks Policy March 2021

Introduction

Nutshell has created a Sustainability Risks Policy (the “Policy”), which details how we integrate sustainability risks into our investment decision-making process, as required by the EU Sustainable Finance Disclosure Regulation (“SFDR”). This document provides a description of the features of our Policy. Under SFDR, “sustainability risk” means an Environmental, Social or Governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

Process

Nutshell’s investment process involves deriving a proprietary investment score for each potential entry into its portfolios. The highest scoring companies will likely be given a higher weighting within a portfolio. Environmental, Social and Governance (“ESG”) factors are integrated into our investment process in the following ways, seeking to capture both immediate developments and long-term trends:

1. Quantitative – Nutshell uses third party ESG ratings from providers such as Bloomberg and Sustainalytics as an input to its investment scoring model. Companies with the highest ratings have their scores adjusted upwards, whilst the lowest rated companies scores are adjusted downwards.
2. Qualitative – After generating a shortlist of potential investments through our quantitative screening, as part of its discretionary analysis, Nutshell will analyse potential investments according to a number of ESG factors and may adjust its scoring in our proprietary model upward or downwards according to the results of our analysis. Factors in the analysis may include the following:
 - a. Environmental
 - Climate change
 - Carbon emissions (CO2 tonnes per million dollars of revenue)
 - Air pollution
 - Water pollution
 - Harm to biodiversity
 - Deforestation
 - Energy inefficiency
 - Poor waste management practices
 - Increased water scarcity
 - b. Social
 - Human rights
 - Human trafficking

- Modern slavery / forced labour
 - Breaches of employee rights / labour rights
 - Child labour
 - Discrimination
 - Restrictions on or abuse of the rights of consumers
- c. Governance
- Lack of diversity at board or governing body level
 - Audit committee structure
 - Infringement or curtailment of rights of (minority) shareholders
 - Bribery and corruption
 - Lack of scrutiny of executive pay
 - Poor safeguards on personal data / IT security (of employees and/or customers)
 - Discriminatory employment practices
 - Health and safety concerns for the workforce
 - Poor sustainability practices in the supply chain
 - Workplace harassment, discrimination, and bullying
 - Inadequate protection for whistleblowers
3. Sector screening – Nutshell actively excludes companies involved in certain controversial activities and sectors (such as weapons, pornography, fossil fuels, gambling, and tobacco) from its portfolios according to revenue thresholds.

As highlighted above Sustainability/ESG risks are a part of Nutshell's investment process and are considered when making an investment decision but may not by themselves prevent Nutshell from making an investment into a company. Sustainability forms part of our overall risk management process, and so we do not apply any absolute risk limits or thresholds that relate exclusively to sustainability risk as a separate category.

Monitoring and Ongoing Commitments

- Portfolio investments are reviewed on a regular basis and the Sustainability Risks for each investment are re-analysed at each rebalancing.
- Nutshell subscribe to Morningstar's Sustainability Rating service which provides us with a Sustainability Score and a ranking versus peers within our investment category.
- Nutshell are signing up to the UN's Principles for Responsible Investment, a commitment to incorporate and promote ESG issues in investment.
- Nutshell are joining the Net Zero Asset Managers Race to Zero Initiative, supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius.
- Nutshell adhere to the UN's Sustainable Development Goals, looking to promote a cleaner, fairer, and more responsible world.