European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on DATE.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
Signatories are solely responsible for the answers to the questions, and should state this in their response.

**Statement of Commitment**

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of JAR Capital Limited. We have been involved in SRI since 2014 and welcome the European SRI Transparency Code.

This is our second statement of commitment and covers the period 1. July 2018 to 30. June 2019. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our web site.

**Compliance with the Transparency Code**

JAR Capital Limited is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. JAR Capital Limited meets the full recommendations of the European SRI Transparency Code.

**July 2018**

**Eurosif classification of Sustainable and Responsible Investment: strategies**

**Sustainability Themed Investment:** investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection:** approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening:** screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

**Exclusion of Holdings from Investment Universe:** an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment

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1 Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016
universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French fonds solidaires.

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4. Investment process
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1. **List of funds covered by the Code**

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<thead>
<tr>
<th>Name of the fund(s): JAR Sustainable Income UI fund</th>
<th>Asset class</th>
<th>Exclusions standards and norms</th>
<th>Fund capital as at 31 December</th>
<th>Other labels</th>
<th>Links to relevant documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Best-in-Class Investment section</td>
<td>☑ Passive investing – core benchmark: specify the index tracking</td>
<td>☑ Controversial weapons</td>
<td>☐ French SRI label</td>
<td>☑ KIID</td>
<td>- KIID - Prospectus - Management report - Financial and non-financial reporting - Corporate presentations - Other (please specify)</td>
</tr>
<tr>
<td>☑ ESG Integration</td>
<td>☑ Impact Investing - Norms-Based Screening</td>
<td>☑ Tobacco</td>
<td>☑ French CIES label</td>
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<tr>
<td>☑ Exclusions</td>
<td>☑ Leading to exclusions - Leading to risk management analysis/engagement</td>
<td>☑ Arms</td>
<td>☑ Luxflag Label</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Impact Investing</td>
<td>☑ Leading to exclusions - Leading to risk management analysis/engagement</td>
<td>☑ Nuclear power</td>
<td>☐ FNG Label</td>
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<td></td>
</tr>
<tr>
<td>☑ Norms-Based Screening</td>
<td>☑ Leading to exclusions - Leading to risk management analysis/engagement</td>
<td>☑ Human rights</td>
<td>☐ Austrian Ecolabel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Sustainability Themed</td>
<td>☑ Passive investing – core benchmark: specify the index tracking</td>
<td>☑ Labour rights</td>
<td>☐ Other Ögut Studie, Bewertung +5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. **General information about the fund management company**

2.1. **Name of the fund management company that manages the applicant fund(s)**

JAR Capital Limited  
50 Jermyn Street  
London SW1Y 6XL  
United Kingdom  
Tel: 0044 203 195 3033  
Email: JARIM@jarcapital.com  
www.jarcapital.com

2.2. **What are the company’s track record and principles when it comes to integrating SRI into its processes?**

JAR Capital believes it is the first and only manager in the European High Yield space to fully integrate socially responsible investment or ESG criteria in its investment process. We consider it as our corporate responsibility to strive for the highest standards, ethically and economically. As such, we consider ESG also as an important risk management tool helping investment management identifying risks associated with the investment target. It is JAR Capital’s belief that these risks must include, among others, environmental, social, reputational and litigation risks. We aim that investment companies have or are evolving to best in class ESG and corporate governance standards. We actively support investment companies achieving these goals with an engagement strategy.

JAR Capital is a signatory of the United Nations Principles for Responsible Investment ([https://www.unpri.org/organisation/jar-capital-limited-145240](https://www.unpri.org/organisation/jar-capital-limited-145240)).

JAR Capital has submitted a FNG sustainability profile on the Forum Nachhaltige Geldanlagen webpage ([http://nachhaltigkeitsprofil.forum-ng.org/jar_capital_sustainable_income_ui-fng_nachhaltigkeitsprofil.pdf](http://nachhaltigkeitsprofil.forum-ng.org/jar_capital_sustainable_income_ui-fng_nachhaltigkeitsprofil.pdf)).

JAR Capital has obtained an Ögut assessment by the Austrian Society for Environment and Technology ([https://www.oegut.at/en/about/vision.php](https://www.oegut.at/en/about/vision.php)).

JAR Capital is a member of the UK Sustainable Investment and Finance Association (UKSIF) ([http://uksif.org/](http://uksif.org/)).

2.3. **How does the company formalise its sustainable investment process?**

The basis of responsible investment at JAR Capital are the Principles for Responsible Investing (PRI) of the United Nations. As such, JAR Capital fully incorporates ESG issues into its investment analysis and decision-making processes. The process is two-fold: exclusion criteria are applied and an engagement policy pursued. To date, the High Yield universe has not been
analysed and rated by a rating agency in the sustainable space. JAR Capital is pioneering the High Yield investment space by hiring a rating agency to rate its investment universe according to ESG criteria. Given the private nature of the High Yield bond space JAR Capital acts as a facilitator and multiplier of ESG policies giving rating agencies access to the investment space. In addition, JAR Capital strives not only to have the investment universe rated but to encourage positive change at the company level. The ultimate goal JAR Capital is working towards is to have the entire High Yield space rated and a Best-in-Class approach made possible.

JAR Capital invests in corporate bonds of European issuers only and not into equity. As such, a voting policy is not applicable.

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?

Please refer to 2.3. – Our funds are not themed funds, every company JAR Capital invests in will be analysed for resource usage and potential efficiency gains outlined by the engagement specialist, G.E.S. As a credit manager, we consider ESG criteria an additional risk management tool which help us identify potential deficits at company level such as corporate governance practices and environmental, reputational and litigation risks. It provides our analysts and fund managers the opportunity to improve the transparency and to better understand the risks associated with an investment into its portfolio companies and gain better access at management level.

Enhancement of the analysis process and monitoring tools to minimize probability of defaults

- Improved corporate governance and business practice
- Higher transparency
- More efficient use of resources
- Society and product responsibility enhances acceptability and reduces reputational/ legal risks

3 Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)
2.5. **How many employees are directly involved in the company’s sustainable investment activity?**

JAR Capital currently has 25 professionals. The ESG policy is set at the partner level who are also responsible for the management of the fund. The ESG analysis at company level is conducted by ISS-oekom (www.oekom-research.com), an ESG rating agency that employs over 90 analysts specializing on SRI issues having been establish over 25 years ago. The activist engagement company employed by JAR Capital, Global Engagement Services (G.E.S., https://www.gesinternational.com) is worldwide leading with over 60 engagement specialists representing asset owners of over EUR 1 trillion. It was established and has been active since 1992.

2.6. **Is the company involved in any RI initiatives?**

JAR Capital is a boutique investment manager with limited resources. However, it actively promotes RI awareness and solutions at multiple levels: at investor level, at management level of the companies whose debt JAR Capital finances and to the wider public via print and online articles as well as presentations/ round tables/ discussion forums.

<table>
<thead>
<tr>
<th>General Initiatives</th>
<th>Environmental/Climate Initiatives</th>
<th>Social Initiatives</th>
<th>Governance Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ EFAMA RI WG</td>
<td>☐ Climate Bond Initiative</td>
<td>☐ Access to Nutrition Foundation</td>
<td>☐ Other (please specify)</td>
</tr>
<tr>
<td>☐ European Commission’s High-Level Expert Group on Sustainable Finance</td>
<td>☐ Green Bond Principles</td>
<td>☐ Accord on Fire and Building Safety in Bangladesh</td>
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</tr>
<tr>
<td>☐ ICCR – Interfaith Center on Corporate Responsibility</td>
<td>☐ IIGCC – Institutional Investors Group on Climate Change</td>
<td>☐ Other (please specify)</td>
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</tr>
<tr>
<td>☐ National Asset Manager Association (RI Group)</td>
<td>☐ Montreal Carbon pledge</td>
<td>☐ Portfolio Decarbonization Coalition</td>
<td></td>
</tr>
<tr>
<td>☐ PRI – Principles For Responsible Investment</td>
<td>☐ Paris Pledge for Action</td>
<td>☐ Other (please specify)</td>
<td></td>
</tr>
<tr>
<td>☐ SIFs - Sustainable Investment Fora</td>
<td>☐ Portfolio Decarbonization Coalition</td>
<td>☐ Other (please specify)</td>
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<tr>
<td>☐ Other (please specify)</td>
<td>☐ Other (please specify)</td>
<td>☐ Other (please specify)</td>
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</table>

2.7. **What is the total number of SRI assets under the company’s management?**

EUR 90mn

3. **General information about the SRI fund(s) that come under the scope of the Code**

3.1. **What is (are) the fund(s) aiming to achieve by integrating ESG factors?**
As the European High Yield space has not been rated by rating agencies in the sustainability space to date, all issuers JAR Capital invests in are subsequently analysed and rated on our behalf by a rating agency in the ESG space. High Yield bond issuers are made aware by JAR Capital of the growing importance of SRI criteria to their investor base. In addition, weaknesses identified by the rating agency in the SRI space are actively addressed by JAR Capital at management level of the concerned companies and solutions presented by an activist engagement company that works on JAR Capital’s behalf. JAR Capital promotes SRI and seeks to implement SRI awareness and action at the companies it invests in, i.e. the real economy. JAR Capital strives not only to have the investment universe rated but to encourage positive change at the company level. The ultimate goal JAR Capital is working towards is to have the entire High Yield space rated and a Best-in-Class approach made possible, encouraging companies towards more sustainable conduct and economic activity in the firm belief of the mutual benefit it achieves.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

JAR Capital has outsourced the entire ESG research and engagement to experts within their industry. The research is conducted by a leading sustainability rating agency, ISS-oekom (www.oekom-research.com) with over 90 ESG specialist and being active in the space since 1993. The engagement is conducted on JAR Capital’s behalf by a world leading engagement specialist, Global Engagement Services (G.E.S.) which represents asset owners in excess of EUR 1 trillion AUM. It employs over 60 specialists and has been active in its space since 1992.

3.3. What ESG criteria are taken into account by the fund(s)?

Violations against exclusion criteria are identified by our own analysts and the ESG research agency during the analysis of the balance sheets and the rating process and provided to JAR Capital. Companies which violate our specific criteria are excluded from our investment universe and are not investable for our funds.

- Alcohol: Alcoholic beverages and other foodstuff, in which alcohol is a substantial ingredient, constitute an exclusion criteria. For the producers of beer/ wine and for high-proof beverages/ footstuffs the tolerance level is more or equal to 5% of net sales. For the traders/ retailers of beer/ wine and high-proof beverages/ foodstuffs the tolerance level is more or equal to 10% of net sales.
- Biocides: The production of biocides which are classified by WHO as “extremely or highly hazardous” constitute an exclusion criteria whereas companies that generate more or equal to 10% of net sales are excluded.
- Embryonic Research: Companies that have specialized in the research of the human embryo or on human embryonic cells are excluded.
- Gambling: Exclusion criteria are deemed to include operators of gambling activities. A differentiation is made between particularly controversial forms of gambling, especially taking into consideration the high potential for addiction (e.g. the operation of casinos or betting shops and the production of slot machines) and other forms of gambling (e.g. lotteries; prize-winning and game shows on the television, radio etc., which are financed through increased call costs or other ways of paying to participate which tend to be indirect in nature; the provision of telephone or internet services or similar to third parties for the purpose of operating betting activities, prize-winning or game shows). The
sale of lottery tickets is only considered a violation if it accounts for a substantial portion of the revenue and therefore constitutes a part of the company's core business. The tolerance level has been set at more or equal to 5% of net sales.

- GMOs: Genetically modified plants and animals constitute exclusion criteria. A differentiation is made between producers (i.e. the companies which undertake the modification of the genetic material and produce the corresponding seed or animals), users (for example companies which use genetically modified plants or animals or parts thereof in the production of foodstuffs and traders (i.e. companies which sell products containing genetically modified ingredients). The use of genetically modified raw materials in products is recorded only if these materials constitute key components of the company's core products. Trade in relevant products that accounts for less than 5 per cent of turnover is recorded only if trading in food or animal feeds, agricultural commodities or textiles, for example, forms part of the company's core business or if trading in genetically modified products constitutes a separate area of business. Other minor business activities are not included. The tolerance level for producers of GMOs has been set at more or equal to 5% of net sales.

- Weaponry: Weapons (systems) and armaments which have been specially developed for military applications constitute an exclusion criterion. This does not include "dual-use products". A differentiation is made between producers and distributors. Among relevant products, differentiation is made between weapons (systems) (e.g. rifles, tanks, fighter jets), weapons outlawed by the Rome Statute of the International Criminal Court (e.g. weapons of mass destruction, land mines) and other armaments (e.g. radar installations, military transport vehicles, control software). The tolerance level for producers of weapons (systems) or other armaments has been set at more or equal to 5% of net sales whereas the tolerance level for outlawed weapons is zero.

- Nuclear Power: Various aspects of the value chain in the nuclear energy field constitute exclusion criteria. A differentiation is made between, in particular, the production and distribution of nuclear energy, but also the mining of uranium and the assembly of key components for nuclear power stations. "Dual-use products", as they are known, are not taken into account. The tolerance level for producers of nuclear power has been set at zero whereas the tolerance level for uranium producers and producers of key components for nuclear power stations has been set to more or equal to 5% of net sales.

- Pornography: Exclusion criteria are deemed to include, in particular, the denigrating and degrading representation of individuals or sexual acts. A differentiation is made between producers and traders. Producers are deemed to include all companies which themselves produce pornographic content (e.g. pornographic films or magazines) as well as organisers of sex tourism and operators of corresponding establishments. If a company does not itself produce pornographic material, but acquires it from third parties and distributes it or actively supports such distribution, then it falls into the category of trader. This includes, for example, the showing of pornographic films or the active provision of access to these (e.g. by television broadcasters, offers of downloads from telecommunications companies and internet providers) as well as the distribution of corresponding magazines, internet content, telephone hotlines or similar and the active provision of the necessary technical infrastructure. Erotic content that is freely accessible to persons under 18 years of age is not deemed to be pornography. Activities relating to the trade in pornographic material as well as the technical support of this trade that account for less than 5 per cent of turnover are recorded only if the distribution channels used or the support services form part of the company's core business or the explicit trade in pornographic material or the technical support of this trade constitute a separate area of business. Other minor business activities are not included. The tolerance level for
producers of pornography has been set at more or equal to 5% of net sales whereas the tolerance level for traders/retailers is more or equal to 10% of net sales.

- **Tobacco:** All types of tobacco products constitute an exclusion criterion. A differentiation is made between producers and traders, as well as according to end product (e.g. cigarettes, cigars, loose tobacco, chewing tobacco) and components or accessories (e.g. cigarette boxes, filters, flavours). Trade in relevant end products that accounts for less than 5 per cent of turnover is recorded only if trading in food/luxury foods and drinks and tobacco forms part of the company's core business or if trading in tobacco constitutes a separate area of business. Other minor business activities are not included. With regard to trade in relevant components and accessories, only wholesale companies are recorded. The tolerance level for producers of tobacco end products has been set at more or equal to 5% of net sales whereas the tolerance level for traders/retailers is more or equal to 10% of net sales.

- **Business Malpractice:** Cases where a company seriously disregards legal requirements or generally recognized codes of good behaviour constitute an exclusion criterion. A distinction is made between corruption (the acceptance of bribes as well as the bribing others), financial accounting (accounting fraud and controversial accounting practices), competition (e.g. cartel formation, price fixing), taxes (tax evasion and facilitation of tax evasion), money transfers (e.g. severe shortcomings in the application of anti-money laundering rules and economic sanctions rules in the field of money transfers) and miscellaneous (e.g. fraud, insider trading).

- **Controversial Environmental Practices:** Cases involving gross disregard by a company of environmental legislation or generally recognised minimum environmental standards/codes of behaviour constitute an exclusion criterion. These include, for example, large-scale projects (e.g. pipelines, mines, power stations, dams) which have a particularly deleterious impact on ecosystems in the region concerned. A differentiation is made according to whether controversial environmental practices are caused by the company itself or by suppliers/subcontractors or whether they are financed by the company (e.g. banks which provide capital for relevant projects through project financing).

- **Human rights:** Exclusion criteria include gross violations of internationally recognised principles such as the UN Universal Declaration of Human Rights, insofar as these do not apply exclusively to governmental obligations and are not already covered by the ILO Declaration on Fundamental Principles and Rights at Work (see rights at work). These include in particular actions in which a grave threat to the health/lives of the population, customers etc. is consciously accepted; human trafficking; grievous physical violence towards third parties as well as the commissioning or active support of such violence; actions which grossly violate the rights of self-determination of third parties; actions which grossly disregard cultural rights of self-determination or cultural worth. A differentiation is made according to whether violations are committed by the company itself or by suppliers/subcontractors or whether they are financed by the company (e.g. banks which provide capital for relevant projects through project financing).

- **Labour rights:** Where there is a serious breach of at least one of the four basic principles of the ILO Declaration on Fundamental Principles and Rights at Work (freedom of association and assembly, forced labour, child labour and discrimination), this constitutes an exclusion criterion. Exclusion criteria also apply where minimum employment standards (e.g. in the areas of health and safety, remuneration, working hours) are systematically circumvented, even where these do not relate directly to the four ILO conventions (see above). No differentiation is made according to whether minimum standards are breached by the company itself or by suppliers/subcontractors.
Positive Screening

The assessment of the social and environmental performance of a company as part of the Corporate Rating is carried out with the aid of over 100 social and environmental criteria, selected specifically for each industry, covering six areas:

- **Social Rating**
  - **Staff and Suppliers**
    - Freedom of association
    - Equal opportunities
    - Health & Safety
    - Work-life balance
    - Payment
    - Safeguarding of jobs
    - Training and education
    - Policies for suppliers
    - Implementation measures for suppliers
    - Support of suppliers
  - **Society and Product Responsibility**
    - Human rights
    - Community
    - Relations with governments and influence on public policy
    - Stakeholder dialogue
    - Responsible Marketing
    - Data protection
    - Product safety
    - Social impact of product portfolio
  - **Corporate Governance and Business Ethics**
    - Independence of the board and governance of sustainability
    - Shareholder democracy
    - Remuneration of members of the executive management team
    - Public disclosure of major shareholders
    - Business Ethics

- **Environmental Rating**
  - **Environmental Management**
    - Environmental management system
    - Energy management
    - Climate change
    - Water risk and impact
    - Travel and transport
    - Environmental management in the supply chain
    - Green procurement
  - **Products and Services**
    - Environmental impact of product portfolio
    - Biodiversity
    - Raw materials
    - Product lifecycle
    - Material efficiency
    - Substances of concern
    - Energy efficiency of products
    - Packaging
  - **Eco-Efficiency**
    - Energy efficiency
    - Water efficiency
    - Material efficiency
    - Carbon intensity
    - Waste intensity
    - Sector-specific air and water pollutant intensity

Depending on the products and services it provides, each industry faces different social and environmental challenges. For this reason, the rating agency makes around one-third of these criteria industry-specific. All criteria are individually weighted and evaluated and finally aggregated to yield an overall score. The results provide a ranking of the companies examined within an industry, from which the leaders in that industry (those awarded “prime” status) are identified.

3.4. **What principles and criteria linked to climate change are taken into account in the fund(s)?**

We do not manage themed funds.

3.5. **What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?**

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4 Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code:

https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697
Areas of Assessment
The rating agency assesses companies' responsibility towards:

- persons affected by corporate activities (social sustainability)
- the natural environment (environmental sustainability)

In order to be able to analyse comprehensively the diverse environmental and social challenges relating to the activities of companies, the rating agency has developed a pool of indicators. These currently number approximately 700. For each company, an average of 100 indicators are selected from this pool on an industry-specific basis so that a targeted evaluation of the problems specific to that company can be carried out.

Sustainability Matrix
The social and environmental impacts of industries differ. Therefore, subject to its relevance, each industry analysed is being classified in a Sustainability Matrix.

![Sustainability Matrix Diagram]

Depending on this classification, the two components of the Corporate Rating, i.e. the Social Rating and the Environmental Rating, are weighted. For example:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Social Component Weighting</th>
<th>Environmental Component Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Textiles</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Retail</td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Evaluation
The overall analysis is based on a twelve-point grading system from A+ to D-:

- A+: excellent performance
- D-: poor performance or insufficient documentation
Prime Status

The rating agency awards Prime Status to those companies which according to the Corporate Rating are among the leaders in their industry and which meet industry-specific minimum requirements.

Companies may use the rating agency’s Prime Logo in their public relations work to demonstrate their above-average commitment to environmental and social issues.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

The ESG evaluation is continuously reviewed by the external providers and JAR Capital as the communication with the researched companies yields new insights. Depending on the pace and depth of progress a new ESG evaluation/ rating might be warranted. The methodologies applied by the external providers are widely regarded as best practice within the industry and serve as a benchmark for managers looking to develop methodologies and systems themselves.

4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

To our knowledge we are the only manager in the European High Yield space that fully integrates ESG criteria in its investment process. In a first step, certain exclusion criteria are applied to the investment universe. The criteria are laid out in detail under 3.3. In the second step companies are fully analysed and rated by an external rating agency in the sustainable space. Identified weaknesses are then actively addressed at management level of the target/portfolio companies by an external engagement specialist. As a result of our exclusion criteria around 50% of the issuers in comparable benchmark indices are excluded from our investment universe.
4.2. **How are the criteria specific to climate change integrated into portfolio construction?**
Companies that derive their revenues from fossil fuels are excluded from the portfolio. The efficiency of (natural) resource usage at company level is assessed by ISS-oekom and G.E.S. and improvements suggested in the engagement process with the companies.

4.3. **How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?**
All issuers present in the portfolio are subject to ESG analysis.

4.4. **Has the ESG evaluation or investment process changed in the last 12 months?**
No.

4.5. **Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?**
No.

4.6. **Does (do) the fund(s) engage in securities lending activities?**
No.

4.7. **Does (do) the fund(s) use derivative instruments?**
Yes it does. 
(i) their nature: The fund uses derivative instruments within the UCITS regulation, i.e. for hedging purposes only. Risks hedged out are either market and or interest rate risks. Instruments used are
a. credit default swaps on the iTraxx Europe Crossover Index or  
b. total return swaps on the Markit iBoxx EUR Liquid High Yield Index.
Typically, the hedge ratio is between 30-50% of the portfolio exposure. In addition, the fund employs currency forward transactions to hedge any currency exposure that differs from the fund currency EUR.

(ii) the objective(s): The fund employs derivative instruments within the UCITS regulation, i.e. for hedging purposes only. The fund focusses on capital preservation and hedges out risks when uncertainties are high. The main objective is always risk reduction, not financial speculation.

(iii) the potential limits in terms of exposure: The fund cannot go net short market risk nor use derivatives for leveraging purposes.

(iv) if appropriate, their impact on the SRI quality of the fund: the use of derivatives has no impact on the SRI quality

4.8. Does (do) the fund(s) invest in mutual funds?
No.

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?\(^5\)

Please refer to the sections about our procedures above.

6. Impact measures and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?
On a quarterly basis ISS-oekom re-assesses the investment universe and assigns an ESG rating to each issuer (D- to A+). In addition, each issuer is assigned a corporate rating and a performance score. An increase in a firm’s numerical score does not always result in an immediate change in its rating classification, however, it ensures we know that engagement is taken seriously by the companies and improvements in all aspects of sustainability criteria will follow over time. The ISS-oekom corporate rating measures a company’s overall sustainability rating according to over 100 individual factors. Naturally, weights and emphasis of these individual factors vary dependent on the company’s sector. In addition, the best-in-class or prime status threshold varies according to the sector analysed. In order to enable better objective comparison among companies from different sectors ISS-oekom has established a performance score where the prime status is defined as a value of 50.

6.2. What ESG indicators are used by the fund(s)?\(^6\)
The overall ESG rating (D- to A+), the corporate rating and the performance score by ISS-oekom are used as ESG indicator.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

\(^5\) Reference to Article 173 of the French TECV Act
\(^6\) Reference to Article 173 of the French TECV Act
On a quarterly basis investors receive a Sustainability Report about the development of the ESG indicators and case studies of the work conducted by JAR Capital and its engagement company, GES.

6.4. **Does the fund management company publish the results of its voting and engagement policies?**

Voting rights – not applicable.
Engagement results – described in the Sustainability Report (available to investors and upon request)

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7 Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE