

# ESG Policy

28 November 2023

## 1. Introduction

At Sevia Capital, we recognize that environmental, social and governance (“ESG”) factors are important to our business. As an asset manager, we believe that integrating ESG factors in our investment process improves the resilience of our investments and is core to providing stakeholders sustainable value.

This document summarises our policy, which outlines our approach to responsible investment, and details how ESG factors are considered throughout the investment lifecycle of our investment products, covering fund and direct investments across active and alternative strategies. In developing this policy, we have considered recommendations from both international and region-specific standards and frameworks, including the United Nations Sustainable Development Goals (“UN SDGs”), Principles for Responsible Investment (“PRI”) and Singapore Stewardship Principles (“SSP 2.0”).

Sevia Capital is a signatory to the PRI, supporter of the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework and references Sustainability Accounting Standards Board (“SASB”) to determine material ESG-related issues. Sevia Capital is also a signatory of SSP 2.0.

### Applicability

This policy is applicable to all investments managed by Sevia Capital.

## 2. Implementation Approach

As an asset manager, ESG considerations are formally incorporated throughout the investment cycle, as summarized in the table below.

Pre-investment	Investment Decision	Monitoring and Stewardship	Reporting
<p>Negative screening based on a set of exclusionary criteria.</p> <p>Use of due diligence questionnaires to understand maturity of target’s ESG processes.</p>	<p>ESG analysis to be documented within investment committee paper and considered in addition to other parameters when informing investment decision.</p>	<p>Regular monitoring through ESG monitoring questionnaire to be completed at least annually.</p> <p>Engagement with investees and non-investee stakeholders to maximise overall long-term value.</p>	<p>Reports of ESG practices and progress to be provided to our clients as part of our regular reporting.</p>

## 2.1 Pre-investment due diligence

### Negative screening

The Investment Team will conduct a preliminary negative screening process based on its exclusions list which is set by management and defined in the fund terms. The list excludes activities that Sevia Capital considers to be unethical or may pose significant negative impacts. This may be reviewed and refined over time.

With respect to fund investments, Sevia Capital will seek to align fund manager's adherence to Sevia Capital's ESG principles and policies, and to secure relevant or applicable information, excuse and/or transfer rights.

### Due diligence

The consideration of ESG factors in our due diligence is an important component of a robust risk management framework. Sevia Capital adopts the use of a due diligence questionnaire ("DDQ") to assess the ESG risks of potential investments.

As an investor into both funds and standalone companies, there are certain nuances to the DDQ adopted for each type of investment.

- For funds, the focus is on assessing the maturity of fund manager's approach to integrating ESG factors into their investment processes and the steps taken to monitor and manage ESG risk of the fund.
- For direct investments, in addition to understanding the management team's approach to managing ESG risks, financially material issues are assessed from a sector perspective, referencing the SASB materiality map.

The broad approach towards assessing ESG factors for both fund and direct investments is as below:

- **Environmental** – Climate action is a priority issue for Sevia Capital and we seek to understand how investees identify, assess, and manage their climate-related risks, and whether they provide relevant climate disclosures in line with the TCFD recommendations. Where available, climate-related metrics, such as scope 1, 2 and 3 emissions are collected from investees. Further, we conduct climate risk assessments where possible and endeavour to enhance our toolkit to better evaluate and monitor our investment's climate risks exposures over various time horizons. Sevia Capital remains cognisant of the existence of other environmental risks and will assess the materiality of these risks in line with the emergence of relevant standards and methodologies.
- **Social** – Sevia Capital considers whether there are policies put in place by the investee to address social issues such as human rights, workplace safety, diversity equity and inclusion, etc. Sevia Capital also collects metrics, referencing the core metrics from the ESG Data Convergence Initiative.
- **Governance** – Checks are performed on key personnel and the fund manager or company to understand if there is involvement in controversial activities such as bribery and regulatory non-compliance.

Should the information in the DDQ prove to be insufficient, we may engage in dialogues with the fund managers or relevant management teams to gain a better understanding of how ESG risks are considered.

## **2.2 Investment Decision**

The analysis and assessment of the potential investment's overall ESG risk will be considered alongside other relevant parameters and formally documented as part of the investment committee's paper to support the Investment Committee's ("Investment Committee") investment decision.

The Investment Committee may require the target company or fund manager to show commitment towards continual improvements in the related ESG issues as a pre-condition to proceeding with the investment opportunity.

## **2.3 Monitoring**

Seviora Capital will monitor investees or a fund manager's commitment to ESG integration and practices. This includes positive or negative development in ESG integration practices as well as potential risks that may arise during the holding period. Investees and fund managers will be requested to fill out an ESG monitoring survey on an annual basis, to evaluate progress over time and disclosure of material issues, if any.

In the event where a serious ESG risk arises, Seviora Capital requires such instances to be reported in a timely manner. The Investment and ESG Teams will engage with the investee or fund manager to understand if an appropriate action has been taken to rectify and prevent a repeat. If this proves to be insufficient, Seviora Capital may intervene to support any mitigating actions. Divestment, redemption, or reassessment of our involvement with the fund manager may be required as a last resort.

## **2.4 Stewardship**

On an ongoing basis, Seviora Capital will engage with its investees to raise awareness and improve ESG practices where possible. We seek to mitigate potential risks and contribute to value creation in our investments, with the overarching objective of maximizing risk-adjusted returns. Our engagement approach may be tailored for each investment as we recognize that our level of influence may differ for each investment. The selected topics of engagement with investees are driven by materiality, prioritising risks or opportunities that generate the biggest impact on long-term value.

In our broader stewardship activities, Seviora Capital engages with various non-investee stakeholders through our membership in industry associations and other public consultations in ESG issues we deem to be relevant to our investment mandate and/or our organisational strategy.

## **2.5 Reporting**

To provide transparency over our ESG activities, clients are informed of material ESG risks identified as well as developments in Seviora Capital's ESG journey as part of our regular reporting. Further, we aim to align our reporting to TCFD, where appropriate.

# **3. Governance**

## **3.1 Board oversight**



Seviora Capital's Board adopts the sustainability and responsible investment strategy developed by Seviora Holdings as our head office, which covers the consideration of ESG risks and opportunities in the investment portfolio.

Updates on ESG developments are provided to Seviora Capital's Board at least annually. This ensures that Board members are cognisant of the context to make informed decisions regarding ESG risks and opportunities.

### **3.2 Responsibilities of Management**

Seviora Holdings' management team, which includes the Head of ESG, is responsible for implementing and overseeing the management of the overall sustainability strategy at Seviora Capital, including the integration of sustainability practices into Seviora Capital's business operations.

The ESG Team supports Seviora Capital's Investment Team in the management of climate risks in Seviora Capital's investment processes, and also promotes ESG considerations in corporate activities. On a day-to-day basis, it is ultimately the responsibility of Seviora Capital's Investment Team to incorporate ESG considerations into the investment process.

### **3.3 Risk management**

Seviora Capital adopts the principles of the three lines of defence in our approach towards risk management:

- First line of defence - Investment Team
  - In charge of implementing the ESG policy and relevant procedures, with the support of the ESG Team.
- Second line of defence - Risk and Compliance
  - Responsible for monitoring the implementation status and providing independent challenge to the first line on their policies and procedures.
  - Where relevant, the Compliance Team implements monitoring programs for Seviora Capital to meet all its regulatory obligations.
- Third line of defence - Internal Audit
  - Assesses the firm's governance, risk, compliance, and internal controls framework.

### **4. Corporate Practices**

Seviora Capital also seeks to reflect our ESG values and expectations in our own operations, endeavoring to identify and minimize the impact of direct and indirect ESG risks on our operations.