



Elephant Asset Management Funds – Responsible Investment

The Funds for the purposes of Article 8 of the Sustainable Finance Disclosure Regulation (“SFDR”) promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices but does not have sustainable investment as an objective as defined under Article 9.

The Funds will consider ESG factors as part of its investment process. Investments or exposure to companies will be analysed according to the Fund’s internal proprietary ESG checklist and rating process. ESG factors include, among others, governance, incentive structures, human capital development, interaction with society, ecological efficiency, product carbon footprint, etc.

The Funds may actively engage with companies in order to seek to improve their ESG practices in the future encompassing.

- Exclusion criteria by mandate: no investments in extractive industries, companies with military association, “sin stocks” (i.e. alcoholic beverages).
- Specific focus on social sustainability, in particular labour practices, worker rights, fair compensation. Practices are verified with repeated on-the-ground visits to every company we invest in, interviews with workers, etc.
- Active discussions and feedback to company management teams in order to improve corporate governance. That includes direct voting in order to ensure that our voice as shareholder is being heard and registered (instead of handing responsibility to a proxy), and written correspondence to board directors to suggest/request specific improvements in corporate governance matters if necessary.
- Focus on reporting of environmental data (water consumption, air pollution, electricity consumption, hazardous waste, etc.) in accordance with international standards. We aim to only invest in manufacturing companies that at least partially generate their own electricity with renewables (mostly solar). Verification of environmental data as much as possible by on-the-ground visits and publicly available information from water boards and other public institutions.

It is the cornerstone of EAM’s investment principles to support and promote the economic and social development of emerging markets by allocating capital only to enterprises that demonstrate best-in-class practices regarding ESG.

The Funds have integrated SFDR into the investment process:

- Integral part of due diligence process: verification of social/environmental claims through repeated on-the-ground visits and fact-checking via government data, customers, suppliers
- We have developed a proprietary ESG checklist, which is part of our research process and allows us to compare companies from across countries and sectors.
- We rate every company on their performance regarding each of our ESG criteria. The rating determines any premium/discount we assign to our target valuation for the companies, thereby directly and significantly influencing our investment decisions.

Share of investments that directly promote social/environmental developments (60% of funds assets);

- Financial inclusion (i.e. micro lenders to women in rural areas or small local businesses): 20%
- Provision of public healthcare: 15%
- Public infrastructure and renewable energy: 25%

Further information is available upon request.