Fulcrum Asset Management LLP

Statement on principal adverse impacts of investment decisions on sustainability factors - As of 31 December 2024

Fulcrum UCITS SICAV - Fulcrum Thematic Equity Market Neutral Fund

FULCRUM

1. Financial Market Participant:

Fulcrum Asset Management LLP
LEI: 549300YGJVDCLN6QO01

2. Summary

This statement sets out how Fulcrum Asset Management (the "Investment Manager", "Fulcrum" or 'we') integrates and considers principal adverse impacts of investment decisions on sustainability factors as part of its investment decision-making process as applicable to the Fulcrum UCITS SICAV - Fulcrum Thematic Equity Market Neutral Fund (the Fund). This statement is provided on a voluntary basis, in the interests of transparency, and reflects that Fulcrum is in a process of creating the reporting infrastructure to assess relevant funds against Principal Adverse Impacts ("**PAIs**").

This statement covers the reference period from 1 January 2024 to 31 December 2024[i].

Fulcrum considers the 18 mandatory indicators when investing into companies, sovereigns, real estate assets and other types of assets (as applicable). Furthermore, we have chosen two additional principal adverse indicators, when investing into companies, relating to the lack of a deforestation policy, and the number of identified cases of severe human rights issues and incidents. We have used the indicators to construct a proprietary score ("PAI score") which is used as an input into the investment process. This statement should be read in conjunction with the Firm's Responsible Investing Policy, Proxy Voting Policy and UK Stewardship Code Report, available at www.fulcrumasset.com

3. Description of principal adverse impacts on sustainability factors

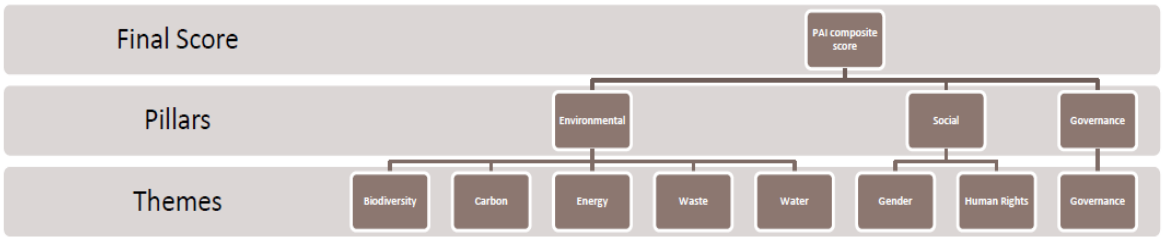
Fulcrum's Responsible Investment Committee is responsible for ensuring sustainability factors are integrated in Fulcrum's investment process and that they are effectively considered, including in terms of adverse impacts. Historically, such factors had primarily been considered via a thematic, qualitative or sectoral lens (such as sector- or activity- based exclusions); going forward, we will seek to build upon this through a more quantitative perspective, as data availability and quality in this area improves. In our 3-5-year Action Plan published in our 2021 Stewardship Report, we have publicly committed to consider whether PAI metrics can form the basis of performance indicators/targets for select funds.

The Sustainability Leads integrate the PAI indicators through the development of a proprietary PAI score ("PAI score") for equities which is used as an input into the fund construction process for this strategy.

An overview of the score construction process is below:

We adopt a best-in-class approach, whereby individual datapoints for each PAI are standardised within industry using percentile scores (100 marks the highest adverse impacts, 0 the lowest). Adjustments are made to account for missing datapoints and the scores are then aggregated into themes, pillars, a PAI composite score, and a final score which also takes into account PAIs relating

to controversies (breaches of UN and OECD guidelines, and identified cases of severe human rights incidents).



The scores are standardised and equally averaged at every layer of the 'tree'.

An overview of our current indicators of PAIs is provided in the table below:

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS Indicators applicable to investments in investee companies						
Adverse sustainability impact indicator		**Metric**	**Long Book Impact [years n to n-1] and explanation**	**Short Book Impact [years n to n-1] and explanation**	**Explanation**	**Actions taken, actions planned, and targets set for the next reference period**
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	13,019.88	-20,108.50		**Our overall approach** We regard climate change as one of the largest risks facing investors over the medium- to long-term, and we believe that climate-aligned investing can boost risk-adjusted returns as well as shift financial flows to fund the green transition. The investment managers intention is to maintain a minimum 10% allocation to climate-aligned equities within its long book.= As a member of the Net Zero Asset Managers initiative, Fulcrum has made a commitment to net zero emissions across its assets under management by 2050. We also engage with industry participants – in workstreams organised by the Glasgow Financial Alliance for Net Zero or the Institutional Investors Group on Climate – to help define and implement best practice for the measurement of portfolio alignment and the impact of climate solutions and for their application into new asset classes. As a member of the Net Zero Asset Managers initiative, Fulcrum has made a commitment to net
		Scope 2 GHG emissions	2,338.92	-4,463.55		
		Scope 3 GHG emissions	106,400.90	-147,682		
		Total GHG emissions	121,759.70	-172,254		
	2. Carbon footprint	Carbon Footprint	249.99	-353.66		
	3. GHG intensity of investee companies	GHG intensity of investee companies	462.57	-370.86		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	4.18%	-2.94%		
	5. Share of non-renewable energy consumption	Share of non-renewable energy consumption and non-	Consumption: 15.50% Production: 2.85%	Consumption: -12.12% Production: -1.62%		

	and production	renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage				zero emissions across its assets under management by 2050. **Engagement and proxy voting** We have adopted a proxy voting policy – the Glass Lewis Climate Policy – that is designed to hold companies to account for their sustainability performance – for example, by voting against directors and/or their pay if there are concerns around sustainability. We are automatically voting against companies that have been identified by our proxy voting adviser as having no emissions targets (or where directors' remuneration criteria does not include sustainability metrics). We also support, where appropriate, shareholder proposals on sustainability, and will use escalation (for example, attendance at company annual general meetings, or collaboration with other investors, in networks such as Climate Action 100+ to encourage corporate climate action. **Monitoring** We are also able to monitor key emissions statistics (e.g. emissions intensity, Scope 1-3 emissions) on a 'look-through' basis for portfolio metrics, with the aim of engaging to gradually improve these over time. **Exclusions** Companies whose strategies to reduce GHGs are deemed misaligned with the Paris Agreement are excluded from the investment universe of the climate aligned portion of the fund.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.23	-0.35		

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.92%	-1.59%		In our 3-5 year Action Plan published in our 2021 Stewardship Report, we have publicly committed to develop an approach to understanding the biodiversity risks embedded in our investments.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.00	0.00		Thematic investment represents the main equity investment capability at Fulcrum. Companies providing solutions in the areas of water and waste management represent one of the investment themes of our equity market neutral and climate change strategies.
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per	0.00%	0.00%		

		million EUR invested, expressed as a weighted average				
Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.26%	-0.28%		The voting recommendations we receive from our proxy advisor include a third-party 'GC Score' from ESG data provider Arabesque which is based off the four areas of the UN Global Compact Principle (Human Rights, Labour, Environment, and Anti-Corruption), and they inform our voting decisions. The updated policy from Glass Lewis, recommends a "vote against the chair of the board in instances where companies who are not signatories or participants in the United Nations Global Compact ("UNGC") or that have not adopted a human rights policy that is aligned with the standards set forth by the International Labour Organization ("ILO") or the Universal Declaration on Human Rights ("UDHR")." Going forward, we will explore the suitability of our PAI scores (including OECD and UNGC guidelines) as a basis for negative screening.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints	22.28%	-17.68%		

	Enterprises	handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	0.12%	-0.07%		We are acutely aware of the importance of promoting gender equality, internally in our firm, and externally with investee companies and third-party managers. In 2022, we joined the Diversity Project, in an effort to improve gender diversity in the asset management industry. Our proxy voting policy encourages companies to improve diversity, with our policy sanctioning companies that do not have a minimum level of diversity on the board.
	13. Board gender diversity	Average ratio of female to male board members in investee companies	0.02%	0.00%		
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.63%	-0.11%		Where we invest in equities, we do not invest in companies that are involved in controversial weapons (using the criteria for screening defined by data provider MSCI in the construction of their MSCI Global ex Controversial Weapons Index series. Note the data shown on the left is based on a different data provider, who may have a different methodology to define controversial weapons). Note that these exclusions do not include potential investments in broad indices which might have indirect exposure to any such stocks.

Additional indicators applicable to investee companies						
	A. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0.08	-0.06		We receive human-rights-related information as part of the 'controversy alerts' generated by our proxy voting provider ahead of select company annual general meetings. And, as mentioned above, our voting policy sanctions companies deemed in breach of generally accepted business practices on human rights.
	B. Deforestation	Share of investments in companies without a policy to address deforestation	0.30%	-0.24%		

Indicators applicable to investments in sovereigns and supranationals					
Adverse sustainability	**Metric**	**Impact [years n to**	**Impact [year**	**Explanation**	**Actions taken, actions planned and targets set for the next reference period**

impact indicator			n-1] and explanation	n-1]		
Environmental	15. GHG intensity	GHG intensity of investee countries	0	n/a		
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0	0		

Adverse sustainability impact indicator	Metric	Impact [years n to n-1] and explanation	Impact [year n-1]	Explanation	Actions taken, actions planned and targets set for the next reference period	Adverse sustainability impact indicator
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	n/a	n/a		
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	n/a	n/a		

4. Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

Fulcrum's Responsible Investment Policy describes the policies and assessment process used to identify and prioritise principal adverse impacts on sustainability factors and the Responsible Investment Committee is responsible for ensuring that these policies and procedures are effectively followed. The policies are reviewed at least yearly. The Responsible Investment Committee comprises representatives from across the business, including the Managing Partner. Noting the potential for irreversible changes to the global climate without further coordinated action from private and public actors, we have decided to devote a significant part of our responsible investment efforts in the area of climate change. At the same time, noting the associate negative societal impacts, we have introduced investment restrictions relating to controversial weapons, tobacco and predatory lending.

To assist with assessing principal adverse impacts on an existing or potential investment, Fulcrum uses external third-party ESG data, company and public data as well as relying on in-house analysis carried out by either of its Investment or Risk teams. The investment team are responsible for assessing these types of risks and the Responsible Investment Committee provide oversight and input, where necessary.

Having developed the first stage of our PAI scoring process, we are exploring ways to best embed these scores into our risk and monitoring systems across multiple strategies.

6. Description of actions to address principal adverse impacts on sustainability factors

Fulcrum is a global macro specialist investing across all asset classes generally using a top-down, or systematic approach. Fulcrum may invest in shares with a listing on an EEA market or on a comparable market outside the EEA. As single-stock equities play an important role in many of the strategies, it is important that, where applicable, Fulcrum carefully monitors and engages with the issuers it invests in to guarantee investment practices that are consistent with its approach to responsible investing.

Two important avenues through which we seek to support the objective of (and minimising negative impacts on) climate change mitigation are 1) engaging with companies to set science-based decarbonisation targets and 2) investing in climate solution providers.

Direct engagement

Climate change is and has been a key focus for Fulcrum. It is a key priority for our engagement efforts and we have a view that it is one of, if not the most significant ESG risk over the longer term.

Our investment approach to physical equities is thematic by its nature and consequently we own large numbers of stocks in very diversified portfolios. Notwithstanding this, we regularly meet with company management and have opportunities to engage, even though we are relatively small shareholders. We have decided to focus our engagement activities on climate change, and we discuss the Science Based Targets initiative (SBTi) in as many meetings with company management as possible.

Collective engagement

Fulcrum may liaise and align with industry groups, to leverage increased influence via aggregation and alignment of voting. We aim to collaborate with external sustainability initiatives and have joined several initiatives as signatories or supporters including: the Institutional Investors Group on Climate Change (IIGCC), the Taskforce on Climate-Related Financial Disclosures (TCFD), Climate Action 100+, CDP (formerly the Carbon Disclosure Project), and the Net Zero Asset Managers Initiative

Escalation

Our aim is to initiate a dialogue with companies directly, in the first instance. In the case of an unsuccessful (attempt at) engagement, we will seek to leverage the variety of tools at our disposal, including our membership in investor networks that conduct collective engagement, the ability to vote (or file proposals) at companies' annual general meetings. Where appropriate, we may seek to apply public pressure through public statements in the media or in our reporting. Finally, if we feel a company's unmanaged sustainability risks have reached an unacceptable level, we may sell or take a short position in, a company's securities.

As mentioned above, our voting policy aims to sanction companies, if there are concerns relating to sustainability, governance or social factors.

As primarily applied to developed markets[1], our voting policy currently involves several rules that will trigger a vote against members of the ESG committee or the chair of the audit committee or the chair of the board, for example due to lack of:

- Oversight of climate/environmental issues;
- Disclosure in line with SASB or TCFD guidelines;
- GHG emissions targets (or, in certain cases, Science Based targets).

Our voting policy will also codify broader expectations, with regards to governance (e.g. the independence of directors, or their remuneration) and social aspects (encouraging improvements in gender diversity or in practices relating to labour standards or human rights).

[1] *The 'triggers' of the rules vary by country and may apply differently or not at all, in Japan, S. Korea, Germany, Austria, Hong Kong, China, Israel, Italy, Luxembourg, Sweden, Norway and Finland, reflecting some of the specificities of those markets (e.g. bundled elections in Nordic countries which mean directors may not be individually up for election).*

7. References to international standards

In addition to national corporate governance principles and codes of best practice, Fulcrum adheres to many broadly accepted codes of conduct, statements and best practices and is a signatory to many of them.

Fulcrum is a signatory to the Principles for Responsible Investment and support their six principles. In 2019, Fulcrum also became signatories to the Task Force for Climate-related Financial Disclosures (TCFD). In 2020, Fulcrum became member of the Institutional Investors Group on Climate Change (IIGCC) and supporters of Climate Action 100+ and CDP. In 2022, Fulcrum joined the Net Zero Asset Managers Initiative, and the Portfolio Alignment Measurement workstream of the Glasgow Financial Alliance for Net Zero (GFANZ).

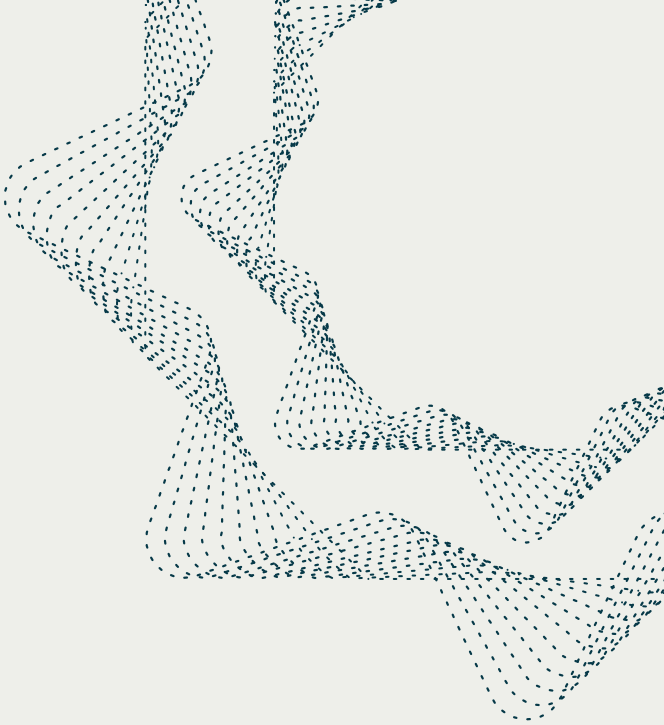
Alignment with the Paris Agreement

Fulcrum uses the Implied Temperature Rise (ITR) metric to measure its alignment with the Paris Agreement. This is the prime metric used to assess the impact of the firm's equity holdings on the transition to a low-carbon economy as outlined in Article 2.1(c) of the Agreement.

The alignment metric used by Fulcrum is provided by S&P Global Trucost, who are responsible for the maintenance and credibility of the data set. The metric is provided for 14,000 companies, including the constituents of all the major indices. In constructing the metric both historical emissions and forward-looking ambition are considered. There are currently two main approaches used to derive temperature calculations by our data provider, S&P Trucost, adapted from methodologies highlighted by the Science-Based Targets initiative: the Sectoral Decarbonization Approach (SDA) and the Greenhouse Gas Emissions per unit of Value Added (GEVA) method. "The SDA is applied to companies with high-emitting, homogeneous business activities, while GEVA is applied to those with lower emitting, heterogeneous business activities."

The values of the PAI metrics in this report, unless stated otherwise are based on asset classes where data is available from our data provider (primarily listed equities). We note that a small proportion of this Fund's assets are invested in instruments and asset classes (e.g. cash and futures, used for hedging and efficient portfolio management purposes) for which PAI methodologies do not currently exist.

*If the value of an indicator is 0 to more than two decimal places (0.00xx…) we are rounding the datapoints to 0.



Contact us

fulcrumasset.com

UK Office

Marble Arch House, 66 Seymour Street, London, W1H 5BT, UK
Tel: +44 (0) 207 016 6450

New York Office

405 Lexington Avenue, 9th Floor, New York,
NY 10174, USA
Tel: +1 646 837 6110

Australia

Collins Place, Level 30, 35 Collins Street
Melbourne, VIC 3000, Australia
Tel: +61 415 135 069

For further information on any of our products or services, please contact our Global Client Group at ir@fulcrumasset.com or call +44 (0)207 016 6450.