



# Environmental, Social, and Governance (ESG) Master Policy

## Introduction

Since our foundation in 2015, one of our core tenets has been the fundamental alignment between our investment theme (our “Theme”) of robotics, automation and AI technologies and the UN Sustainable Development Goals (SDGs), due to the significant SDG co-benefits of our investment portfolio.

In addition, we apply an exclusion screening, which eliminates ESG controversial companies such as weapon manufacturers from our investment universe at the beginning of our investment process. Throughout the years, we have built up an internal ESG rating system to analyse the companies within our investment universe, with the help of 3<sup>rd</sup> party research and data providers like Refinitiv, to achieve a fair and objective judgement. We also engage, when necessary, with the companies in our investment portfolio in relation to their ESG performance.

Today, we have fully integrated ESG into our investment process and are a signatory of UN Principles for Responsible Investment (PRI). The aim of this document is to give an overview of this integration.

## ESG at Robocap – Our Approach

1. **Exclusion screening at the beginning:** We have defined a list of controversies like weapon manufacturing (negative social impact), and fossil fuel extraction and production (negative environmental impact), which are material to ESG analysis and can lead to exclusion from our investment universe.
2. **Alignments with UN SDGs:** The vast majority of the stocks in our investment portfolio should have significant co-benefits and alignments with UN SDGs. As most of the stocks we invest in are high-tech companies, we see that they naturally contribute to SDG 9. Industry, Innovation and Infrastructure.
3. **Integration of ESG into our investment process:** ESG has become one of the key parameters that we consider alongside the financial and fundamental analysis in our investment process. We have built up an internal ESG rating system, with the help of 3<sup>rd</sup> party research and data providers like Refinitiv, to achieve a fair and objective judgement.
4. **Disclosure with transparency:** Our monthly newsletter reports ESG parameters of our investment portfolio (e.g. number of companies aligned with at least 1 UN SDG. Number of companies making vow on greenhouse gas (GHG) emission reduction with concrete targets, action plans and results), so that the evolution of the SDG alignments and ESG ratings of our investment portfolio can be made transparent to investors.
5. **Engagement with the companies in our investment portfolio:** We exercise our voting rights attached to the securities we hold. We see it as an integral part of our role as a responsible investor.
6. **Our ESG Committee,** which includes an external independent ESG expert, periodically reviews our ESG approach to constantly improve it and make sure it stays on top of the latest regulations. We also hold ESG Committee meetings at least semi-annually to discuss on latest ESG topics and regulations.

## Exclusion Screening & Controversies Rating

We have developed a proprietary Controversies' Rating which ranks the companies based on the application of their products and their industries. This rating is based on nine exclusion parameters:

### Social-related

- Manufacturing and/ or selling lethal weapons, e.g. attack drones or AI-powered targeting weapon systems.
- Manufacturing and/ or selling tobacco, alcohol, and other potentially abusive substances.
- Used by dictatorships or authoritarians to weaken the democratic rights of their people, e.g. facial recognition technologies in the "wrong hands".
- Using forced and/ or child labour to manufacture the goods.
- On a relevant governmental entity blacklist, e.g. US Entity List.

### Environment-related

- Involved in extraction of coal.
- Involved in extraction of oil and gas.
- Involved in generation of carbon intensive electricity.
- Involved in nuclear power industry.
- Leading to biodiversity loss

For each of those parameters, we allocate a binary rating, based on available information, and with a margin of error of 10%. If any one of the parameters shows a risk, for example, >10% of its total revenue confirmed to have exposure to any one of the parameters shown above, then the company is excluded from the investment universe. We have used this approach since the launch of our UCITS fund and have adjusted it over time to reflect our overarching UN SDG-alignment policy.

## Alignments with UN SDGs – To manifest core ESG values of portfolio

# SUSTAINABLE DEVELOPMENT GOALS



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Our primary investment objective is to identify stocks in robotics, automation and AI industries globally that will benefit from these secular trends over an investment horizon of 2-5 years while considering ethical, social and environmental aspects based on our values and all risks (manifested in our exclusion screening). We think that there is a natural fit between our investment theme and several SDGs as the underlying technologies are a key part of the solutions. We think that the theme actively promotes one or more UN Key Sustainable Development Goals (“SDGs”) <sup>1</sup>, like:

- 1) SDG 9. Industry, Innovation and Infrastructure, as most of the companies we invest in are high-tech companies, including leaders in their respective industries.
- 2) SDG 3. Good Health and Well-being, as some of the companies we invest in are medical device makers.
- 3) SDG 16. Peace, Justice and Strong Institutions, as some of the companies we invest in are cybersecurity solution providers.

In addition, most of the companies we invest in also make voluntary vow to specific SDGs. Most of them have published long-term GHG emission reduction vow, with concrete targets, action plans and results. That provides evidence of their effort to align with SDG 13. Climate Action.

## ESG Integration into the Investment Process

We believe that companies with alignment with UN SDGs and good ESG scores have the potential to outperform in the longer term as they in general can enjoy the tailwind of multi-year secular trend like AI (SDG 9. Industry, Innovation and Infrastructure) and healthcare (e.g. Aging population. SDG 3. Good Health and Well-being).

The ESG integration into the investment process includes:

- 1) Exclusion screening & proprietary Controversies’ Rating
- 2) Identification of Alignments with UN SDGs of individual stocks.

Then we also perform ESG analysis on individual companies, with the help of 3<sup>rd</sup> party research and data providers like Refinitiv, to achieve a fair and objective judgement. We investigate the actual results of all three E, S and G aspects of an individual company, to determine whether it is a good fit to be included in the portfolio.

### Using Third-Party ESG Data

However, for relatively lower ESG scores of a certain company from the 3<sup>rd</sup> party data base, we would also do our own due diligence to double check the trustworthiness of such relatively lower ESG scores. E.g. some Japanese companies’ ESG scores may be underestimated due to lack of relevant ESG disclosure in English.

Besides, we are also more careful with ESG data for small and mid-caps as these tend to get less attention from the data providers and may thus be penalized by a worse scoring than their large peers, probably due to relatively fewer resources to be allocated for ESG-related disclosure. As a result, we are also more flexible analysing ESG scores of companies outside of Europe, as our aim is to rate the ESG aspects of an individual stock, but not its disclosure to a data provider.

In addition, as part of our ongoing engagement and communications with companies in the investment universe, we also highlight to them when they are being scored poorly due to lack of data and will actively encourage them to publish as much relevant data as possible going forward to help address this issue.

## Voting policy

Exercising voting rights attached to securities held in the portfolios we manage is an integral part of our approach as responsible investors. This commitment reflects the importance we place on quality corporate governance as a driver of company’s sustainable development. Companies which are well governed and operate in a responsible and sustainable way should have the culture, attitude, and transparent mechanisms in place to support their long-term health and shareholder value. Good corporate governance practice establishes the framework that facilitates the relationship between shareholders, stakeholders, and the management of the companies in which they invest, and the voting of ownership rights is an important tool in that relationship.

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<sup>1</sup> United Nations Sustainable Development Goals, <https://sdgs.un.org/goals>  
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## ESG Reporting

The monthly reporting of the fund via our newsletter, will include the following statistics:

- 1) Portfolio's ESG Monitor
- 2) Robocap Portfolio by Refinitiv ESG Score
- 3) Controversies Checklist at Portfolio Level
- 4) Number of companies aligned with at least 1 UN SDG.
- 5) Number of companies making vow on greenhouse gas (GHG) emission reduction with concrete targets, action plans and results

## ESG Committee

The ESG Committee will meet at least twice a year to discuss the ESG investment approach. The members of this committee consist of the members of the Investment Committee and include an external advisor with expertise in ESG. The committee aims to evolve the firm's ESG policy and to further integrate ESG into the investment process.

Members of the ESG Committee make a commitment to learning and, in some cases, getting relevant qualifications for ESG investments.

As of January 2024, this ESG Policy was last updated and is subject to modifications as deemed necessary or advisable by the firm. A review of this policy will be normally conducted on an annual basis.