

This document provides you with information about this Sub-Fund in relation to the Sustainable Finance Disclosure Regulation. It is not marketing material. The information is required by law to help you understand the sustainability characteristics and/or objectives and risks of this Sub-Fund. You are advised to read it in conjunction with other relevant documentation on this Sub-Fund so you can make an informed decision about whether to invest.

## Summary Sustainability-Related Disclosure

### Harmony Portfolios Sustainable Growth Fund

*This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.*

#### **The Sub-Fund has the following E/S characteristics:**

- The Sub-Fund promotes certain minimum environmental and social safeguards through applying exclusion criteria with regards to products and business practices that the Sub-Fund believes are detrimental to society and incompatible with sustainable investment strategies.
- The Sub-Fund intends to be guided by the UNPRI in determining actions and behaviours that are consistent with an integrated ESG (i.e., Environmental, Social and corporate Governance) approach, whilst supplementing that with research and suggestions from industry level bodies. The Sub-Fund recognises the Sustainable Development Goals (SDGs) and their many underlying targets as providing a more specific guide to the actions and behaviours where the issuers of underlying investments in the Sub-Fund are expected to be making positive contributions.
- The Sub-Fund aims for a better sustainability profile compared to relevant broad market indices (which vary by asset class) for most asset class exposures by integrating ESG factors. For the assessment, areas like corporate strategy, corporate governance, transparency as well as the product and service range of a company are considered.

#### **Investment Strategy**

The Sub-Fund aims for a better sustainability profile compared to relevant broad market indices for most asset class exposures by integrating ESG (i.e., Environmental, Social and corporate Governance) factors. For the assessment, areas like corporate strategy, corporate governance, transparency as well as the product and service range of a company are considered.

The investment strategy is achieved through an actively managed diversified portfolio that invests, via other collective investment schemes, or other similar schemes as well as via transferable securities, across a broad range of asset classes and currencies in varying proportions over time.

#### **Planned asset allocation**

The Sub-Fund plans to make a minimum amount of 25% sustainable investments. At least 85% of investments are aligned with the E/S characteristics. The exception being investments in the category “other” which may include cash, cash equivalents, derivatives, investments in government bonds, alternative strategies and collective investment schemes investing in commodities.

#### **Monitoring and due diligence**

The Sub-Fund has incorporated the sustainability aspects of the investment strategies by implementing appropriate investment due diligence processes and procedures for the selection and monitoring of investments. The portfolio managers and analysts are primarily responsible for conducting investment due diligence on their strategies on an ongoing basis

Where available, we monitor ESG scores and SDG alignment of the Sub-Funds’ investments and investigate any unexpected exposures to controversial or excluded activities.

## **Data sources, methodologies, and limitations**

The Sub-Fund uses several sources for gathering sustainability data.

The ESG characteristics of the Sub-Fund are measured using data from Morningstar (Sustainalytics). Where data is available, each underlying holding is screened for a variety of metrics, such as the overall environmental, governance or social score or the percentage involvements in certain categories that can lead to sustainability risks.

Other external data sources are also used to assess voting and exclusion criteria.

The underlying fund managers of the Sub-Funds' holdings in collective investment schemes also conduct their own monitoring of portfolio investments to ensure adherence to the environmental or social characteristics they target. Each manager is entitled to choose their own data sources which are disclosed to us and their other clients separately.

The primary limitation to the methodology or data source is the lack of corporate disclosure. Like many other financial market participants, we struggle to find adequate information on the principal adverse indicators. To overcome this issue, the Sub-Fund uses multiple data providers, since each has its own respective strengths and weaknesses.

## **Engagement strategy**

For the Sub-Fund's investments in third party funds and pooled vehicles, proxy voting and engagement at the underlying investment level is delegated to the respective fund managers. They actively encourage good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. The underlying fund managers report to us on a quarterly basis with data on all votes cast and cases of engagement. Where we can vote or engage, in particular for directly held securities, we follow the approach set out in our Proxy Voting and Engagement policies.

## Sustainability-related disclosure

### Harmony Portfolios Sustainable Growth Fund

This document provides you with information about this fund in relation to the Sustainable Finance Disclosure Regulation. It is not marketing material. The information is required by law to help you understand the sustainability characteristics and/or objectives and risks of this fund. You are advised to read it in conjunction with other relevant documentation on this fund so you can make an informed decision about whether to invest.

#### (b) No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Where fund aims to make one or more sustainable investments explain how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account?

The Sub-Fund analyses the principle adverse impact disclosures of the Collective investment schemes classified as Article 8 or Article 9 funds that make up the sustainable investments.

More information on how the Sub-Fund considered its PAI Indicators may be found in the periodic reporting of the Fund.

Are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights?

The sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights via both exclusions as well as ratings using third-party data.

#### (c) Environmental or social characteristics of the financial product

What are the environmental or social characteristics that the financial products promotes?

- The Sub-Fund promotes certain minimum environmental and social safeguards through applying exclusion criteria with regards to products and business practices that the Sub-Fund believes are detrimental to society and incompatible with sustainable investment strategies.
- The Sub-Fund intends to be guided by the UNPRI in determining actions and behaviours that are consistent with an integrated ESG (i.e. Environmental, Social and corporate Governance) approach, whilst supplementing that with research and suggestions from industry level bodies. The Sub-Fund recognises the Sustainable Development Goals (SDGs) and their many underlying targets as providing a more specific guide to the actions and behaviours where the issuers of underlying investments in the Sub-Fund are expected to be making positive contributions.
- The Sub-Fund aims for a better sustainability profile compared to relevant broad market indices (which vary by asset class) for the majority of asset class exposures by integrating ESG factors. For the assessment, areas like corporate strategy, corporate governance, transparency as well as the product and service range of a company are taken into account.

#### (d) Investment strategy

What is the investment strategy used to meet the environmental or social characteristics promoted by the financial product?

The Sub-Fund aims for a better sustainability profile compared to relevant broad market indices for the majority of asset class exposures by integrating ESG (i.e. Environmental, Social and corporate Governance)

factors. For the assessment, areas like corporate strategy, corporate governance, transparency as well as the product and service range of a company are taken into account.

In the selection of the sustainable investments, the Sub-Fund will consider collective investment schemes that are classified under Article 9 or under Article 8 (with a commitment to a minimum investment in sustainable investments). Any collective investment that is not classified under Article 9 or Article 8 should have a third party combined ESG rating that is better than the sector average. Where third party ESG data is unavailable, it is required that the investee must be able to demonstrate clear and strong alignment with one or more of the SDGs or a substantial reduction in environmental footprint versus a comparable market index.

The Fund's direct investments in transferable securities (including Investment Trusts) will be judged by the manager to be issued by companies or governments that uphold relatively high standards of environmental, social and governance behaviour. This should be demonstrated through a third party combined ESG rating that is better than the sector average. Where third party ESG data is unavailable, it is required that the investee must be able to demonstrate clear and strong alignment with one or more of the SDGs or a substantial reduction in environmental footprint versus a comparable market index. These investments must also not significantly harm any environmental or social investments.

The Sub-Fund complies with its Exclusion Policy that is based on exclusion criteria with regards to products and business practices that it believes are detrimental to society and incompatible with sustainable investment strategies. This means that the Sub-Fund has 0% exposure to excluded securities, taking into account a grace period.

**What is the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance?**

For the Fund's investments in third party funds and pooled vehicles, proxy voting and engagement at the underlying investment level is delegated to the respective fund managers. They actively encourage good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. The underlying fund managers report to us on a quarterly basis with data on all votes cast and particular cases of engagement.

Where we are able to vote or engage, in particular for directly held securities, we follow the approach set out in our Proxy Voting and Engagement policies.

[esg policy-on-proxy-voting.pdf \(momentum.co.uk\)](#)

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#### **(e) Proportion of investments**

**Minimum Sustainable Investment: 25%**

At least 85% of the investments are aligned with the E/S characteristics of the Sub-Fund. The Sub-Fund plans to make a minimum of 25% sustainable investments, measured in terms of:

- Investment in Article 9 classified collective investment schemes;
- Investment in Article 8 classified collective investment schemes with a minimum percentage commitment to investment in sustainable investments; and,
- Investment trusts that have an alignment to one or more of the SDGs.

#### **(f) Monitoring of environmental or social characteristics**

**How are the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product monitored throughout the lifecycle of the financial product and what are the related internal or external control mechanisms?**

- The Fund's direct investments in transferable securities (including Investment Trusts) will be judged by the manager to be issued by companies or governments that uphold relatively high standards of environmental, social and governance behaviour. The Fund's indirect investments through other collective investment schemes, or similar schemes, must display relatively high standards of environmental, social and governance behaviour.

- We conduct extensive due diligence prior to making any direct or indirect investment, which includes verifying the ESG characteristics and control processes for the companies or fund managers under consideration, as well as screening for exposure to excluded activities. This is achieved through a combination of desk-based research and through meetings with management.
- Quantitative and qualitative research is documented and debated by multiple experienced investment professionals.
- All investments must pass an independent operational due diligence (ODD) process which includes a review of eligibility versus the fund's stated objective and ESG criteria. The manager cannot invest in any position that does not pass the ODD process.
- We monitor investments on an ongoing basis, which will include meeting the company or fund management at least annually. This includes reviewing ESG related policies and processes, as well as any relevant engagement activity. Meetings are documented and shared across the investment team.
- Where available, we monitor ESG scores and SDG alignment of the sub-funds investments and investigate any unexpected exposures to controversial or excluded activities.

#### **(g) Methodologies**

What are the methodologies to measure how the social or environmental characteristics promoted by the financial product are met?

The ESG characteristics of the fund are measured using data from Morningstar(Sustainalytics). In particular, where data is available, each underlying holding is screened for a variety of metrics, such as the overall environmental, governance or social score or the percentage involvements in certain categories that can lead to sustainability risks.

A risk is identified if the environmental, governance or social score of an underlying strategy falls below 50th percentile, or if the database highlights high or severe risks in any significant area. Additionally, a qualitative assessment of the underlying securities' sustainability is made on a regular basis.

These risk indicators are monitored regularly and any significant change is discussed with the fund manager and/or cross-checked with other third party data providers.

#### **(h) Data sources and processing**

- How are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?
- What measures are taken to ensure data quality?
- How is data processed?
- What is the proportion of data that are estimated?

The Fund uses the following data sources:

- The proxy voting process uses data derived from internal processes, aided by content from Glass Lewis and ISS.
- The exclusion and controversial behaviour process uses data derived from Sustainalytics, Bloomberg and public sources, as well as from our proprietary research. There is ample data availability for most companies and most metrics, however a small part of those can at times be estimated. This remains minimal compared to the actual available data. Quality and availability of data is increasing as governments, regulators and markets push for better disclosure and increased reporting.
- The underlying fund managers of the sub-funds holdings in collective investment schemes also conduct their own monitoring of portfolio investments to ensure adherence to the environmental or social characteristics they target. Each manager is entitled to choose their own data sources which are disclosed to us and their other clients separately.

#### **(i) Limitations to methodologies and data**

What are potential limitations to the methodologies or data sources and how do such limitations not affect how the environmental or social characteristics promoted by the financial product are met?

The primary limitation to the methodology or data source is the lack of corporate disclosure. Like many other financial market participants, it is difficult to find adequate information on the principal adverse

indicators. To overcome this issue, multiple data providers are used, since each has its own respective strengths and weaknesses. We do not expect the corporate reporting landscape to change significantly until the anticipated introduction of CSRD in 2025.

In terms of methodology, we frequently see divergence in the way that data vendors deal with certain topics. For instance, for GHG emissions, some vendors blend corporate reporting with modelled data. It has been a common experience to note that 'reported' data can vary between providers due to conflicting policies, quality assurance and other case-by-case factors. We are not alone in this view as evidenced by the numerous reports from industry associations and trade bodies such as EuroSIF and IOSCO on the quality and transparency of ESG data products. Our environmental objectives are predominantly linked to more mature themes, specifically carbon, water and waste. Disclosure is far greater today within these areas and so we are able to evaluate a satisfactory proportion of our universe to be able to perform tasks such as exclusions and comparisons between portfolio and benchmark.

#### **(j) Due diligence**

What due diligence is carried out on the underlying assets of the financial product (including the internal and external controls)?

- We conduct extensive due diligence prior to making any direct or indirect investment, which includes verifying the ESG characteristics and control processes for the companies or fund managers under consideration, as well as screening for exposure to excluded activities. This is achieved through a combination of desk-based research and through meetings with management.
- Quantitative and qualitative research is documented and debated by multiple experienced investment professionals.
- All investments must pass an independent operational due diligence (ODD) process which includes a review of eligibility versus the fund's stated objective and ESG criteria. The manager cannot invest in any position that does not pass the ODD process.
- We monitor investments on an ongoing basis, which will include meeting the company or fund management at least annually. This includes reviewing ESG related policies and processes, as well as any relevant engagement activity. Meetings are documented and shared across the investment team.

#### **(k) Engagement policies**

What is the engagement policy applied, in the case that engagement is part of the environmental or social investment strategy (including any management procedures applicable to sustainability-related controversies in investee companies)?

For the Fund's investments in third party funds and pooled vehicles, proxy voting and engagement at the underlying investment level is delegated to the respective fund managers. They actively encourage good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. The underlying fund managers report to us on a quarterly basis with data on all votes cast and particular cases of engagement. Where we are able to vote or engage, in particular for directly held securities, we follow the approach set out in our Proxy Voting and Engagement policies.

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#### **(l) Designated reference benchmark**

Has an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product? If yes, how that index is aligned with the environmental or social characteristics promoted by the financial product, and where can one find information with regards to input data, methodologies used to select those data, the rebalancing methodologies and index calculations?

There is no reference benchmark designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.