

Advisors & Partners ESG Policy



Introduction and Motivation

At Advisors & Partners, we are delighted and extremely honoured to be a signatory of the United Nations-supported Principles for Responsible Investment. The firm sees the incorporation of environmental, social and governance (ESG) considerations into investment decision-making practice as the step forward to sustainability. The vast majority of our investors are investing for the long-term and encourage alternative investment strategies with high standards of ESG performance criteria. We are therefore committed to deliver solid investment solutions for our clients, with both attractive financial returns and ESG factors to bring a positive change. This is aligned with A&P's philosophy to provide solid solutions and long-term results, while actively engaging with our investors about our sustainable investment approach. The firm is also committed to respect the Paris 2015 agreement, with the objective to limit carbon emissions and keep a global temperature rise well below 2 degrees Celsius.



Our ESG Policy

Our goal is to consolidate global standards of responsible investments practices, and rely on the most universally used policy to draw on for our own. Thus, our ESG Policy consists of rigorously applying the United Nations-supported Principles for Responsible Investment (UN PRI). The firm will follow the PRI transparency requirements and reporting framework. The firm will regularly assess and report about its investment strategies to ensure compliance with our ESG policy and PRI guidelines.

Furthermore, we will encourage partnerships that we feel are actively making a positive impact on their sector of expertise and helping to develop innovative solutions to today's society.

We expect activities we invest in / finance to (1) comply with internationally recognised standards and certifications as well as local laws and international conventions; (2) provide substantive, measurable, positive benefits to people and the environment; (3) operate transparently and be able to measure progress against ESG initiatives.

We also expect to establish an open and constructive engagement with the organisations we invest in. We do not take finance from or finance projects or entities involved in the activities that are not in line with our firm's exclusion policy.

The Principle for Responsible Investment (PRI)

Advisors & Partners became a signatory of the UN PRI, on 18th of March 2019, joining more than 2,600 other institutions around the world that have publicly committed to responsible investment.

Signatory of:



The PRI are the following:

- Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: To be active owners and incorporate ESG issues into our ownership policies and practice.
- Principle 3: Seek appropriate disclosures on ESG issues with the entities in which we invest.
- Principle 4: Promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: Work together to enhance our effectiveness in implementing these Principles.
- Principle 6: Report on our activities and progress towards implementing these Principles.

Integration of ESG standards into our investment selection process

Since inception, we have aimed to provide long-term and robust solutions to fit our client needs. We focus on long-lasting relationships, develop principle-based investment products and client-driven solutions. Some of our investment strategies are long-term, and therefore we always consider a broader range of factors as the smallest implication today can have a tremendous effect in the future. ESG considerations are a key component within this decision-making process.

Good foresight equates to good results. We believe that ESG analysis is essential to achieve the quality of foresight, as it helps to identify risk factors and adopt responsible behaviours at an early stage. We optimise in-house coupled with outsourced expertise in the creation of our products, working inclusively with the PRI and ESG criteria throughout the entire process. We also provide our expertise to clients who seek to improve the impact of their activities by assessing potential consequences of their approach and offering concrete solutions to mitigate those. Our solutions help to incorporate ESG policies into their strategy to implement sustainable business practices.

Appendix 1: Non-exhaustive list of A&P ESG considerations in line with UN's 17 sustainable development goals (SDGs).



Environmental:

- Taking urgent action to combat climate change and its impacts;
- Building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation;
- Making cities and human settlements inclusive, safe, resilient and sustainable.

Social:

- Promoting sustained and sustainable economic growth, full and productive employment and decent work for all;
- Ensuring sustainable consumption and production patterns;
- Privileging investments with positive impact on local communities.

Governance:

- Directors training;
- Sensibilisation on money laundering and conflicts of interest;
- Strong governance on taxation issues;
- Incorporating robust risk management practices.

Appendix 2 Example of our ESG activities



A&P Selective European Transportation Equipment Fund: a strong focus on environmental responsibility.

Main SDGs covered or underpinned by the investment strategy:



Currently, 76% of freight is done by road in Europe¹. This has a serious environmental impact, as haulage trucks are responsible for 5% of the CO₂ emissions in Europe².

Two alternative transport solutions to freight transported by road are freight transported by railway as well as on inland waterways using river barges. These two options are significantly more environmentally friendly than road freight.

Railway emissions are heavily dependent on the way electricity is created. Some countries, such as France, have an incredibly low carbon electricity impact (only 7,2%³ of electricity has fossil origin). Hence, railway is evidently a more efficient mode of transport for environmental reasons in France.

Moreover, a freight train can haul around a maximum of 80TEU throughout Europe (the maximum train length varies between countries, so our analysis is based on the shortest maximum length, of 600m⁴).

Therefore, it is interesting to consider haulage on inland waterways (IWW). The main advantage of barge transportation is capacity. A 2500T barge, small enough to float on all the main fluvial canals, can transport as many goods as 65 road trucks. This results in an estimated overall CO₂ emission reduction up to four times whilst offering additional benefits such as:

- Noise reduction through compliance with TSI standards (Technical specification for Interoperability), drafted by the European Railway Agency;
- Reduced impact on road infrastructure thus reducing road maintenance, as well as reduce road traffic;
- Better road safety by reduced capacity of freight on the road, as well as using smaller crews to manage transport delivery etc.;
- Safer given the underlying regulations and reduced concern of spillage.

Today, both rail and river transportation in Europe are the two most viable options given the existing infrastructure and operational networks. There is a global trend among governments to invest more in these modes of transport. France, Germany and Switzerland amongst others all invest heavily in their railway network to improve their efficiency, density and reliability. More than €3,7bn⁵ have been invested into the European inland waterways between 2014 and 2017. Moreover, there is concrete evidence that these transportation modes work efficiently. Switzerland already transports half of its freight by railway, whereas the Netherlands transports 45%⁶ by waterways. Evidently “last-mile” or “door-to-door” delivery cannot be achieved by rail or barges alone therefore there is a reliance on light-duty and heavy-duty trucks to undertake transportation from rail stations or river ports to their final destination. Road trucks are distinctly versatile, but due to their high emissions, should be minimised, as and where possible.

Numerous task forces try to shed light on the advantage railways freight offer. One of them is “30% by 2030” which is an initiative launched by the Rail Freight Forward (RFF) coalition, promoting the increase of the modal share of rail freight to 30%. They have identified obstacles to a higher use and provided possible solutions.

The RFF coalition states, “The [European land freight] sector is expected to grow by 30% by 2030 and volume growth will most likely have a high affinity to road”. This would have a negative impact on CO₂ emissions and this would render the Paris Agreement unattainable.

In contrast, according to RFF: “A higher modal share of 30% of rail freight by 2030 will lead to a €100 billion economic gain due to less externalities, 290 million tons of CO₂ saved, 40,000 less premature deaths due to avoided pollution, and 5,000 less fatalities due to saved truck accidents”.

¹ Eurostat

² European Environment Agency

³ Réseau de Transport d'Électricité (RTE) : Bilan Électrique 2018

⁴ UIC

⁵ European Commission: CEF support to Inland Waterways June 2018 and UIC

⁶ Eurostat

With the launch of our transportation equipment fund, we will actively promote alternative ways of transporting goods to alleviate the impact on the environment, especially freight transport on the road.

Table 1 : CO₂ emissions share of road transport in the EU

Mode	Share
Motorcycles	1%
Heavy duty trucks and buses	26%
Light duty trucks	12%
Cars	61%

Table 2 : Quantity of CO₂ (in gram), per ton per km

Mode	gCO ₂ /ton-km
Road	62
Rail	22
Barge	31
Intermodal road/rail	26
Intermodal road/barge	34

Figure 1: CO₂ emissions shares by transport modes in the EU

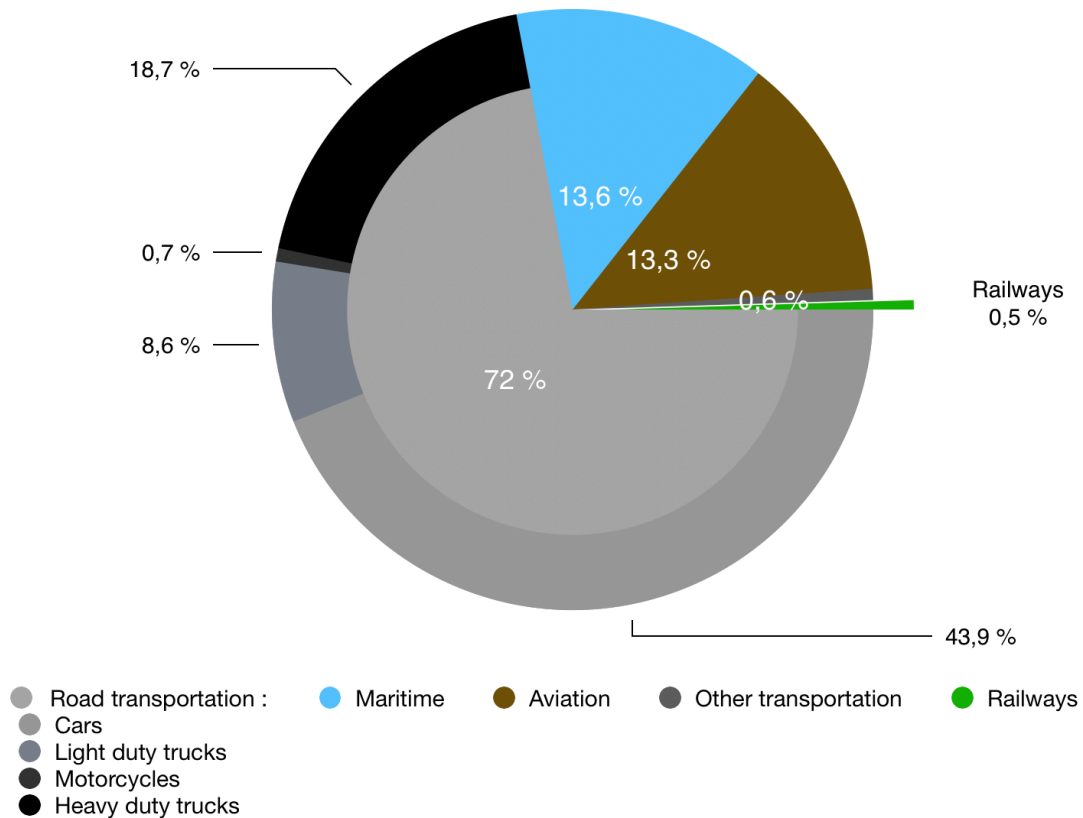


Figure 1 and Table 1: the European Environment Agency

Source of **Table 2:** Professor Alan McKinnon
 Professor of Logistics, Kuehne Logistics University, Hamburg
 Professor Emeritus, Heriot-Watt University, Edinburgh

Values here are the mean value across Europe. Even though for road and barge transportation, the value is more or less even across the continent, each country produces its electricity differently. Poland, for example, mainly uses coal, so its CO₂ emissions per kWh are way higher.