EMCORE Sustainability Statement

December 2020

EMCORE sustainability mission statement

EMCORE considers itself a highly specialized niche player within the institutional investment market for convertible bond strategies, option-based strategies and investment strategies with asymmetric risk-return profiles.

As asset managers we are committed to acting in the best interests of our clients.

Sustainability has been one of our corporate principles since our company was founded. Since then, we have attached great importance to this especially in our investment activities. In order to achieve a long-term investment result, we have focused strongly on healthy and sustainable corporate governance. In addition, we have always avoided investments in companies with significant activities related to outlawed and controversial weapons, gambling, pornography, and alcohol (excluding beer and wine).

Motives and objectives of the sustainability strategy (from ESG directive)

Consider the dynamic environment such as climate change, increasing social responsibility requirements, and increasing regulation, we see the systematic inclusion of environmental, social, and corporate governance (hereinafter "ESG") aspects in our investment processes as fulfilling our fiduciary responsibility. We are convinced that the systematic consideration of ESG factors positively influences the risk-return profile by reducing reputational risks as well as potential legal risks and associated negative financial consequences. By reducing downside risks the integration of ESG factors contributes to the long-term value enhancement of our portfolios. In addition, we want to respond to the needs of our customers and support them in aligning their interests even better with general ethical and social objectives or their values.

By signing the UN Principles for Responsible Investing (UN PRI), we are sending a clear signal of our corporate responsibility and anchoring a continuous improvement process for responsible investing. We will define required organizational measures and necessary processes to ensure the continuation of UN-PRI membership as well as to report both internally and externally on a regular basis.

Building blocks of the sustainability strategy

The sustainability strategy covers three areas: operational integration into our investment processes, communication and reporting to create transparency, and monitoring to manage the process of continuous improvement.

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EMCORE
House of Asymmetry

Integration into investment processes

We will:

- Integrate ESG criteria systematically into the investment and risk management process and set minimum ESG requirements for all assets.
- Design specific products to address high sustainability requirements of specific customer groups.

The integration of the sustainability strategy takes place via four approaches:

- Exclusions
- ESG integration
- Engagement
- Climate policy

Exclusion criteria

We exclude companies where serious and systematic violations of UN Global Compact principles have been identified (human and labor rights, serious environmental degradation, corruption), as well as companies involved in the production and trade of controversial weapons. In addition, we do not invest in companies that mine coal or generate significant amounts of electricity from coal (sales tolerance 30%).

ESG Integration

Minimum ESG rating requirements are defined for all securities in our portfolios. Companies in sensitive sectors must meet higher requirements.

Engagement

By participating in collective engagement initiatives, we work to ensure that sustainability principles are taken into account in the financial industry and in the companies in which we invest. We place a particular focus on climate initiatives.

Climate strategy

The effects of climate change are not only visible through water shortages, droughts or extreme flooding. It is obvious that the resulting losses, as well as regulatory adjustments, also pose significant risks to the long-term performance of our investments. We therefore support measures to reduce greenhouse gas emissions, such as the Paris Climate Agreement, or activities to improve the transparency and management of climate risks, such as the Task Force on Climate-Related Financial Disclosure (TCFD). The inclusion of climate risks in our investment decisions (in the form of climate risk parameters) and the exclusion of companies with high climate risks are intended on the one hand to reduce the financial risks of our portfolios. By considering investments to promote a low-carbon economy, we want to support climate change mitigation measures and positive environmental outcomes.

For products explicitly designed and marketed as sustainable, we will determine additional sustainability requirements.

To ensure successful and credible implementation of the sustainability strategy, targets are defined and regularly reviewed in the areas of communication and reporting as well as monitoring.

Monitoring und Governance

We will:

- Also review our partners on their ESG performance and support an improvement process.
- Regularly review and continuously improve our ESG performance.

The development of responsible investing expertise is also anchored in governance. Responsibility for implementing the ESG strategy lies with Risk Management; the Investment Committee and Compliance continuously review the measures.

The ESG performance of our portfolios is reviewed quarterly in the Investment Committee, and monitoring of the measures is carried out semi-annually by Compliance. Meeting and improving ESG targets is part of the performance review of the responsible colleagues.