

## GINJER ACTIFS 360

# Integrating criteria relating to the respect of environmental, social and quality of governance (ESG) objectives into our investment policy

Ginjer AM is an entrepreneurial investment management company which, through its management team and employees, has always been aware of the environmental, social and governance quality issues (ESG) that it faces. Two types of measures have been put in place in order to take action. Initially, urgent pragmatic frontline measures were applied within the company which had an immediate impact. Other longer-term measures have also been implemented to develop a more rational and coherent approach towards the efficient and balanced integration of environmental, social and governance issues into the investment policy governing our managed funds.

As we were aware of the major divergences between different countries with regard to the development, availability, quality, reliability and standardisation of data, we waited until we were able to gather sufficient qualitative information and consistent data from companies and countries, notably among equities and sovereign bonds, before integrating ESG criteria into our investment processes.

Furthermore, in the context of integrating ESG impact into our investment processes, one of the principles guiding our actions has been to ensure that we can provide our clients with stable reconciled data, covering a significant proportion of the portfolio, regardless of the asset allocation strategy of the funds concerned.

Moreover, since Ginjer AM was founded, we have always opted to concentrate our investments into a single flexible multi-asset fund. GINJER Actifs 360 is a balanced fund which invests in equities, convertible bonds and government debt securities.

In this context and in order to satisfy all types of asset allocation imposed by our investment process, we were faced with the need to secure access to reliable and standardised ESG data for all financial instruments. ESG criteria were therefore only integrated into our investment process once we had identified sufficiently standardised databases covering both equities and sovereign bonds.

The decision to use leading service providers (broadly covered by the media) subscribes to our rationale based on also enabling our investors to recognise and easily understand the data provided.

In 2018, after several months of analysis, Ginjer AM selected two leading service providers. One provides ESG ratings and the other supplies carbon data. The data provided has been tested progressively in order to establish the process outlined above.

From this starting point, Ginjer AM's investment policy integrating extra-financial environmental, social and governance criteria has been based on several principles:

- Reducing overall ESG risks as rapidly as possible, not simply by rewarding the best-in-class candidates, but also by recompensing efforts made by some of the worst-in-class to improve their ratings, while refraining from excluding any sectors or companies from our analyses and investment process.
- Tackling the climate emergency, by ascribing a heavier weighting in our ratings to environmental factors.
- Linking our voting policy to the ESG criteria integration process, taking advice from a service provider providing a broader view of best practices relating to resolutions impacting ESG ratings.
- Constructing portfolios with a lower overall ESG rating than the rated investment universe average.

Therefore, while prioritising investments in companies with ESG criteria ratings which reflect their sustainable growth objectives, given the extent of the climate change phenomenon and the urgent global need to adapt our behaviour (investors included), we have decided to focus on environmental (E) factors by ascribing a heavier weighting to this criteria in companies' overall ESG scores.

Furthermore, we have taken steps to enhance the E scores based on data supplied by our main service provider which quantifies ESG risk levels. We have adjusted the E risk component by applying a bonus/penalty system integrating ratings from another expert service provider specialising in carbon ratings.

In this context, we do not exclude any stocks. Instead, we use an enhanced E criteria weighting in the total score, which enables us to construct a portfolio with an overall ESG rating of 20 or below, on a scale of 0 - 50.

This portfolio construction procedure, combined with the shareholder voting policy we have also implemented, enables us to invest the portfolio entirely into issuers which help achieve:

- An overall reduction in carbon emissions,
- Progress and monitoring on a stock by stock basis of policies associated with social (S) and governance (G) criteria.

Meanwhile, we are also continuing to analyse other methods of improving Ginjer AM's decision-making process in order to provide reliable indicators which will give a clearer view of the broader ESG issues at stake.

We therefore participate in meetings held within the investment community on this theme to endorse the following key issues:

- Making standardised ESG and carbon data available supplied by various service providers, along the same line as bond credit ratings.
- Promoting standardised reporting indicators providing investors with a clear view of the issues at stake.

In the context of our engagement measures and in order to provide further guidance for our clients in their investments, Ginjer AM has been a signatory to the United Nations Principles for Responsible Investment (PRI) since December 2018:



*The 6 Principles for Responsible Investment* (<https://www.unpri.org/pri>)

- 1. We will incorporate ESG issues into investment analysis and decision-making processes,*
- 2. We will be active owners and incorporate ESG issues into our ownership policies and practice,*
- 3. We will seek appropriate disclosure on ESG issues by the entities in which we invest,*
- 4. We will promote acceptance and implementation of the Principles within the investment industry,*
- 5. We will work together to enhance our effectiveness in implementing the Principle,*
- 6. We will each report on our activities and progress towards implementing the Principle.*