

# SARANAC

## PARTNERS

SARANAC PARTNERS EUROPE, AGENCIA DE VALORES, S.A.

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# SFDR Disclosure

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In accordance with the requirements Article 3, 4 and 5 of Regulation 2019/2088 on sustainability related disclosures (The SFDR), Saranac Partners Europe sets out the following important disclosures.

## **Article 3 - Sustainability Risk Policy**

The SFDR requires Saranac Partners Europe to publish information about our policies on the integration of sustainability risks in our investment decision making or investment advising processes.

Saranac is a signatory to the United Nations Principles for Responsible Investing (UNPRI) and recognises a duty to clients to incorporate in its investment decisions the potential impact of ESG factors (environmental, social, governmental), as they can be important influences on the return and risk in client portfolios. These considerations are taken into account in the research processes covering equities, fixed income and alternatives in public and private markets, and integrated judgements into portfolios. MSCI scores are used to assess the relevant ESG issues in equity portfolios. Awareness of these issues can enhance performance over the long term. However, Saranac is also aware of the obligation to balance these insights against other important aspects of the client experience, for example investment returns, the capacity for loss, risk appetite and adequate diversification.

Saranac allows clients to reflect their own preferences and beliefs in their investment exposures, by excluding particular companies or industries from segregated portfolios (for example oil companies and mining). Saranac will work with clients to implement their ethical views based on agreed screening criteria. These criteria may or may not coincide with the defined terms set out in the European SFDR or the Taxonomy.

While Saranac recognises ESG investing as durable element of the investment landscape, it also recognises a duty to be transparent with clients concerning its implementation, and to incorporate a pragmatic element in decision-taking. In addition, Saranac has a fiduciary duty to clients to explain the limitations of ESG metrics and the complexities of investing in this area. There are different ways to define 'E', 'S' and 'G', different ways to decompose the breakdown of these categories into sub-categories, and there can be trade-offs between them. Third-party metrics increase transparency in this context, but all quantitative approaches are necessarily dependent on subjective assessments of the key factors. Scores can differ for legitimate reasons.

Given the lack of precision as to what ESG investing comprises in practice, we do not have a strong prior view that assets with higher than average ESG scores will inevitably outperform in either the short-term or the long-term, or that stocks with lower than average ESG scores will underperform. Although it would be unusual for Saranac to own or to recommend highly controversial stocks with a challenged ESG rating, we would not rule this out in specific circumstances.

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## **Article 4 - Non-Consideration of Principal Adverse Impacts**

The SFDR requires firms to disclose the extent to which their investment decisions have a negative impact on sustainability factors.

Saranac Partners Europe has reviewed the requirements of the principal adverse impacts regime as set out in Article 4 of the Sustainable Finance Disclosure Regulation ("SFDR"), and in the Regulatory Technical Standards published in April 2022 by the European Supervisory Authorities (the "PAI regime").

The Firm is supportive of the aims of the PAI regime however, the relevant regulatory standards and methods of measurement are not sufficiently well developed or readily available to enable Saranac to incorporate these factors into our investment decisions at the current time.

For the time being, Saranac Partners Europe will not be considering Principal Adverse Impacts of investment decisions on sustainability factors at a Firm level. The Firm will review this decision on a quarterly basis and will take into account developments of the relevant regulatory standards and methods of measurement.

## **Article 5 - Remuneration**

Saranac Partners has a remuneration policy that is designed to ensure that an appropriate risk culture is in place which aligns the interests of our clients, shareholders and staff. Saranac Partners rewards staff with a combination of fixed and variable remuneration. Variable remuneration is based on a combination of the assessment of the individual and the firm. The allocation of variable remuneration takes account of all types of current and future risk both financial and non-financial. This necessarily includes the individuals compliance with all Saranac's policies and procedures including those which relate to sustainability risks and the impact on the investment decision making process.