

ANNEX I

**Product name:** Polar Capital Funds plc - Healthcare Blue Chip Fund (the "Fund")  
**Legal entity identifier:** 549300ERXLM8TOFA2G98

**Environmental and/or social characteristics**

**Does this financial product have a sustainable investment objective?**

**Yes**

   **No**

<p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ____%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ____%</p>	<p><input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>
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**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

## What environmental and/or social characteristics are promoted by this financial product?

The Fund primarily seeks to invest in companies within the healthcare investment universe that:

- (i) improve clinical outcomes for patients through innovation,
- (ii) improve the affordability and accessibility of healthcare services; and
- (iii) improve the efficiency of the delivery of healthcare services.

By investing in these companies, the Investment Manager believes that the Fund contributes to Goal 3 of the United Nations Sustainable Development Goals (SDGs) which is to “ensure healthy lives and promote well-being for all at all ages”. The UN SDGs are part of the United Nation’s 2030 Agenda for Sustainable Development, adopted by all UN member states in 2015, and comprise 17 goals which aim to tackle the world’s approach to the environmental and social matters. The full list of the 17 UN SDGs can be found at <https://sdgs.un.org/goals>.

For the avoidance of doubt, the Fund may invest in companies within the healthcare investment universe whose products and services do not, in part or in whole, contribute to the promoted characteristics outlined above where the Investment Manager is of the opinion that such an investment offers investment opportunities for the Fund.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The Investment Manager will monitor the Fund’s attainment of its sustainability characteristics, through the lens of the social characteristics, by evaluating the portfolio’s weighted exposure to each of the three characteristics described above.

The Investment Manager’s calculation of the Fund’s portfolio weighted exposure will take account of both revenue and operational expenditure exposure to the characteristics for commercial stage companies (i.e. companies which have taken their product or service to market / commercialised their product or service or which receive revenues from already commercialised products or services) and of actual and/or proposed operational expenditure exposure to the characteristics for pre-commercial stage companies (i.e. companies which are still in the development stage conducting pre-clinical testing and clinical trials of their product). The Investment Manager will also account for instances in which an investee company’s revenue and operational expenditure is exposed to more than one of the social characteristics described above.

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The objectives of the sustainable investments shall align with the themes:

- (i) improve clinical outcomes for patients through innovation;
- (ii) improve the affordability and accessibility of healthcare services; and
- (iii) improve the efficiency of the delivery of healthcare services.

The Investment Manager will consider a company eligible to be considered as a sustainable investment if the company is deemed to contribute to sustainable economic activities as described below in the investment strategy section of this disclosure.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Investment Manager, in compliance with the principle of Do No Significant Harm, screen the relevant company, primarily using third-party data inputs, to assess whether it has an adverse impact on the environment and society.

Companies identified to have severe controversies impacting the environment or social sustainable activities will be excluded from consideration as a sustainable investment by the Investment Manager. These may include, by way of example, controversies related to energy and climate, biodiversity and land use, toxic emissions, human rights, child labour, employee health and safety, and product quality and safety.

The Investment Manager will use the research of third-party providers to provide deeper insight into companies' compliance with norms standards. However, given differing methodologies, tolerances and assessments of company behaviour, the Investment Manager retains discretion over the assessment of third-party conclusions on a case-by-case basis.

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

As part of the do no significant harm assessment, consideration will be given to the mandatory Principal Adverse Impacts (PAI) indicators provided in Table 1 (and where applicable, Tables 2 and 3) of Annex 1 Level 2 RTS.

In circumstances where data quality or availability is insufficient to make a reasonable judgement on a quantitative basis with respect to any of the mandatory PAI indicators provided in Table 1, and where applicable Tables 2 and 3, the Investment Manager will use proxy indicators, such as controversy cases or norms violations related to negative impacts on the relevant sustainability indicator to assess harm caused by the company and will assess the relevance and materiality of the principal adverse impact indicator to the company, using industry expertise and any data available.

Where, in the Investment Manager's view, a company does not cause significant harm with respect to a specific PAI but the Investment Manager assesses there is room for improvement, it will take the required steps to reduce or mitigate the PAI, such as engaging with the company, using the right to vote, seeking to improve disclosure of data by the company, or reducing exposure to the issuer where deemed appropriate or necessary.

Where, in the Investment Manager's view, a company does cause significant harm with respect to a specific PAI, the Investment Manager will not consider an investment in such a company as a sustainable investment by the Fund.

***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

The Investment Manager will use third-party ESG controversy and global norms data and research as a starting point for assessing alignment of portfolio companies with these global norms, and where necessary, conduct further due diligence to determine compliance with these norms.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**

Yes,

No

Where material, the Investment Manager will consider the principal adverse impacts of a company on the environment and society.

Unless subject to an exclusion, the Investment Manager will seek to improve material adverse impacts of investee companies through active ownership activities such as engagement, voting or if necessary, divestment from the company within a reasonable timeframe, taking into consideration the best interests of the Fund and its Shareholders.

Factors taken into account when assessing a company’s impact on the environment include GHG emissions, including, but not limited to, indicators such as absolute emissions, carbon footprint, emissions intensity and carbon reduction initiatives. Where material, the Investment Manager will assess the company’s carbon reduction policies or targets related to achieving net zero. Exposure to companies active in the fossil fuel sector are considered by the Investment Manager through the exclusion policy below.

The Investment Manager will consider the board gender diversity and excessive CEO pay ratio of investee companies, and will, where it deems appropriate, use its tools of active ownership to encourage better practices.

The Investment Manager considers the standards of the United Nations Global Compact (UNGC), and the Organisation for Economic Co-Operation and Development’s Guidelines for Multinational Enterprises (OECD). If a company is involved in severe controversies or norms violations, the Investment Manager will assess the severity of the incident and decide the appropriate action of whether to monitor, enter enhanced engagement, or divest from the company.

The Investment Manager will exclude any company involved in the manufacture and sale of controversial weapons such as cluster munitions and anti-personnel mines.

Information relating to these principal adverse impacts for this Fund will be made available in the Fund’s annual report.



## What investment strategy does this financial product follow?

The Investment Manager evaluates the ability of the Fund's actual, or potential, investee companies to contribute to the Fund's characteristics through a three-stage investment decision making process:

- (i) an exclusionary screening process, including the application of both normative and negative screens;
- (ii) a positive inclusion process, whereby the investee company is assessed both against the characteristics and its broader environmental, social and governance profile; and
- (iii) where a company becomes an investee company, ongoing monitoring of the investee company against the Investment Manager's exclusionary screens and positive inclusion criteria.

### Exclusion Screening Process

At the first stage of the investment process, the Investment Manager carries out an exclusion screening process on the Fund's investment universe.

The Investment Manager first applies a norms-based exclusion screen to the Fund's investment universe to ensure that potential investee companies that are involved in controversial practices from an ESG perspective are excluded from the Fund.

This involves the Investment Manager screening the portfolio for alignment with the United Nation's Global Compact, the United Nation's Guiding Principles on Business and Human Rights, the International Labour Organisation's conventions and the Organisation for Economic Co-Operation and Development's (OECD) Guidelines for Multinational Enterprises. When the Investment Manager determines that a company does not align adequately with these standards, the Investment Manager will exclude that company.

The Investment Manager's investment process implicitly excludes those companies that are involved in weapons and military equipment production, tobacco production, coal mining and power generation from coal based energy sources, conventional and non-conventional oil and gas exploration and generation, other non-renewable power generation, industries that present a direct and major threat to biodiversity (such as deforestation for crop cultivation), industries involved in predatory lending activities, unregulated gambling companies and adult entertainment companies.

### Positive Inclusion Process

Once the Investment Manager has applied its normative and negative exclusion screens to the Fund's investment universe, the Investment Manager will then carry out an assessment of the fundamentals of the remaining companies within the Fund's investment universe to construct the portfolio.

Alongside the financial analysis, the Investment Manager will assess the ability of each company to meet one, or more, of the three social characteristics outlined below.

*Improving clinical outcomes through innovation* – The Investment Manager assesses the ability of the company to treat a range of different medical conditions. The Investment Manager looks for companies that are not only treating diseases or conditions for which there is no prior cure, but also where a company is finding a way to treat a disease or condition more effectively than prior treatments.

In addition, the Investment Manager includes, in its assessment of a company's ability to contribute towards this characteristic, companies that are providing preventative treatments or medicines, rather than just those companies that seek to provide treatments for diseases or conditions that have already developed.

*Improving affordability and accessibility* – Although, in the majority of cases worldwide, the public sector's approach to healthcare often determines its affordability and accessibility, the Investment Manager looks for companies that can provide quality healthcare to individuals in

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

a safe, effective and affordable way. The Investment Manager also looks for companies that create technologies to improve the healthcare infrastructure and that, when properly utilised, can enable the healthcare system to provide services to more individuals.

The Investment Manager also looks for those companies that seek to reduce the cost of healthcare, using centralised efforts to increase the competitiveness and transparency of the healthcare industry.

*Improving the efficiency of healthcare delivery* – The Investment Manager assesses the ability of companies to drive efficiency within the healthcare system by reducing and managing the costs of healthcare and also by their use of data and analytics to identify the correct treatment approach for patients.

The Investment Manager combines its evaluation of each company against the Fund's social characteristics with an analysis of the environmental, governance and other social considerations that are material to the healthcare industry.

From an environmental perspective, the Investment Manager will assess each company's approach to greenhouse gas emissions, toxic waste and emissions and in particular companies' alignment with regulations on the disposal of chemical and biological waste.

From a social perspective, the Investment Manager assesses other social factors relevant to the broader healthcare industry, including the company's approach to labour management, human capital development, product quality and safety, matters of privacy and security.

The Investment Manager assesses the governance practices of companies by evaluating the composition of their boards, including the independence and tenure of members and the remuneration structures of both members and senior management to determine whether they are aligned with the company's stakeholders and the effectiveness of the company's oversight on matters such as science and technology, employees and corporate and audit matters.

Where a company meets the Investment Manager's criteria for inclusion in the Fund, the Investment Manager will continue to monitor the investee company's alignment with its exclusionary screening process, the Fund's characteristics and the Investment Manager's ESG integration process through the Investment Manager's fundamental analysis of the investee company and through an assessment of that investee company's corporate disclosures, including their annual financial reports and sustainability reports, and with assistance from third party ESG research sources.

The Investment Manager also engages with the investee companies of the Fund and companies within the Fund's investment universe on a periodic basis through in person or virtual meetings with their management teams and through shareholder voting. Where the Investment Manager has identified an issue with the ESG profile of an investee company or its alignment with the Fund's social characteristics, either through the investee company failing to meet the exclusionary screening process outlined above, or through issues highlighted via the Investment Manager's positive inclusion analysis (including any reference the Investment Manager has made to third party ESG data provider sources), the Investment Manager will consider the materiality and severity of the issue at hand, and if necessary engage with the company directly to encourage the management team to address the matter. Where an investee company has not addressed the matter within a timescale deemed reasonable by the Investment Manager, the Investment Manager may, at its discretion, reduce the Fund's exposure to the investee company or divest completely.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Investment Manager applies the following binding elements within the investment process to attain the Fund's ESG characteristics:

- (i) An exclusionary screening process, including the application and assessment of both normative and negative screens;
- (ii) A positive inclusion process, whereby potential investee companies are assessed against their contribution to the social characteristics of the Fund; and
- (iii) Ongoing monitoring of investee companies against the Investment Manager's exclusionary screens, positive inclusion criteria and their broader environmental, social and governance profiles.

The Investment Manager's investment process implicitly excludes those companies that are involved in weapons and military equipment production, tobacco production, coal mining and power generation from coal based energy sources, conventional and non-conventional oil and gas exploration and generation, other non-renewable power generation, industries that present a direct and major threat to biodiversity (such as deforestation for crop cultivation), industries involved in predatory lending activities, unregulated gambling companies and adult entertainment companies.

The Investment Manager screens the portfolio for alignment with the United Nation's Global Compact, the United Nation's Guiding Principles on Business and Human Rights, the International Labour Organisation's conventions and the Organisation for Economic Co-Operation and Development's Guidelines for Multinational Enterprises. Where the Investment Manager determines that a company does not align adequately with these standards, the Investment Manager will exclude that company.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not commit to reduce the scope of investments by a minimum rate prior to the application of the investment strategy

● ***What is the policy to assess good governance practices of the investee companies?***

The Investment Manager assesses the governance practices of companies by evaluating the composition of their board, the independence and tenure of the board, the remuneration structures of the board and senior management and whether they are aligned with the company's stakeholders and the effectiveness of the company's oversight on matters such as science and technology, employees and corporate and audit matters and tax compliance. Where a company meets the Investment Manager's criteria for inclusion in the Fund, the Investment Manager will continue to monitor the investee company's alignment with its exclusionary screening process, the Fund's characteristics and the Investment Manager's ESG integration.

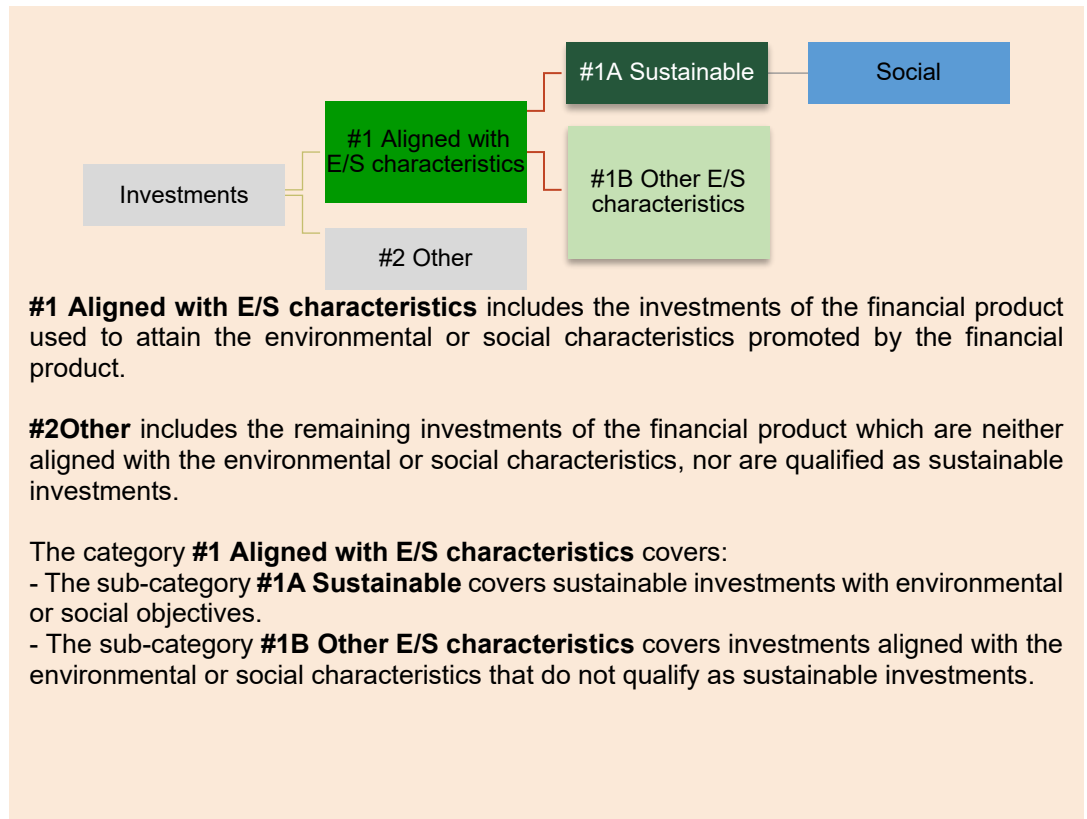


## What is the asset allocation planned for this financial product?

### Asset allocation

describes the share of investments in specific assets. Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



The Fund primarily seeks to invest in companies within the healthcare investment universe. The Investment Manager assesses 100% of the companies in the Fund for revenue alignment towards the Fund's promoted social characteristics.

A minimum of 50% of the investments of the Fund are used to meet the social characteristics promoted by the Fund.

While the Fund does not have sustainable investing as its objective, the Fund seeks to invest a minimum of 50% of its investments in sustainable investments with a social objective. The Fund's investments identified as **#2 Other** in the above diagram will be held in equity securities that do not contribute towards the Fund's promoted characteristics, cash or derivative instruments.

Any equity holdings not positively aligned with the promoted E/S characteristics are held in order to meet the fund's investment objective: to achieve long term capital appreciation. Furthermore, all holdings must pass the exclusions criteria. Highlighted within the investment strategy, The Investment Manager carries out broader assessment of the ESG risks and opportunities relevant to the company of all holdings. The Investment Manager begins by assessing third party ESG research and data provider's insight into a company and then conducts its own in house ESG analysis, drawing on other publicly available sources and information obtained through engagement, to corroborate the third party's insight and to assign the company its own ESG rating.

Up to 20% of the Fund's investments may be held in cash and/or derivative instruments, in line with the Fund's investment policy. There are no minimum environmental or social safeguards applicable to these investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**



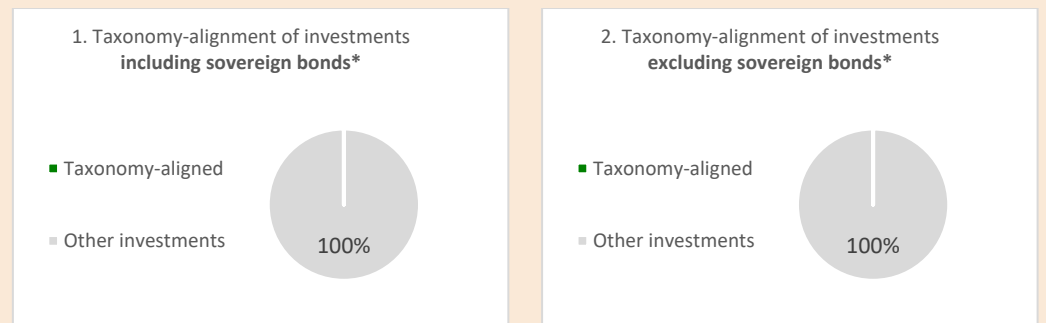
Although the Fund is permitted to invest in financial derivative instruments, the Investment Manager will not generally seek to invest in these instruments to promote its environmental or social characteristics. However, financial derivative instruments may be held by the Fund for risk management purposes, for efficient portfolio management purposes or where they have been received from an investee company pursuant to a corporate action (e.g. an issue of warrants or share options).



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

0%

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**What is the minimum share of investments in transitional and enabling activities?**

The Fund does not invest in environmentally sustainable activities, transitional activities or enabling activities under the EU Taxonomy Regulation.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund does not invest in environmentally sustainable activities, transitional activities or enabling activities under the EU Taxonomy Regulation.



**What is the minimum share of socially sustainable investments?**

The Fund will invest at a minimum of 50% of the Fund's exposure to sustainable investments, of which, 100% will promote a socially sustainable objective.



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

The Fund's investments identified as #2 Other in the above diagram will be held in equity securities that do not contribute towards the Fund's promoted characteristics, cash or derivative instruments.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective. **Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Any equity holdings not positively aligned with the promoted E/S characteristics are held in order to meet the fund's investment objective: to achieve long term capital appreciation. Furthermore, all holdings must pass the exclusions criteria. Highlighted within the investment strategy, The Investment Manager carries out broader assessment of the ESG risks and opportunities relevant to the company of all holdings. The Investment Manager begins by assessing third party ESG research and data provider's insight into a company and then conducts its own in house ESG analysis, drawing on other publicly available sources and information obtained through engagement, to corroborate the third party's insight and to assign the company its own ESG rating.

Up to 20% of the Fund's investments may be held in cash and/or derivative instruments, in line with the Fund's investment policy. There are no minimum environmental or social safeguards applicable to these investments.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

- ***How does the designated index differ from a relevant broad market index?***

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

- ***Where can the methodology used for the calculation of the designated index be found?***

The Fund has not designated a specific index as a reference benchmark for determining its alignment with the promoted environmental and social characteristics.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

<https://www.polarcapital.co.uk/Our-Funds/Healthcare-Blue-Chip/#/Literature>