

# Regnan Sustainable Water & Waste Strategy

Sustainability Framework

December 2022

FOR PROFESSIONAL INVESTORS ONLY



There is no economy without **water**, no sustainable economy without **waste** management

## Overview

Clean water and proper waste management are critical enablers for sustainable development, where new technologies are emerging to meet rapidly rising demand as populations grow and become more urbanised. The world must improve its management of water resources and physical waste if the economy is to grow sustainably.

The Regnan Sustainable Water and Waste Strategy invests across the water and waste value chains, including in companies developing new technologies to meet the ever-growing demand for solutions to these challenges.

## Snapshot

Launched in 2021, the Regnan Sustainable Water and Waste Strategy is a high conviction, diversified, global portfolio with an ESG integrated process enhanced by Regnan's proprietary ratings and engagement framework.

We aim to generate market-beating long-term investment returns by investing in sustainable companies within the water and waste value chains.



**Bertrand Lecourt**  
Senior Fund Manager



**Saurabh Sharma, CFA, CAIA**  
Fund Manager



## Contents

- 03 Investment objectives, policy and themes
- 04 Sustainability & Stewardship
- 05 Sustainability Framework Details
- 06 Sustainability Assessment
- 09 Approach to Stewardship
- 10 About Regnan

# Regnan Sustainable Water & Waste Strategy

## Investment Objective

The investment objective of the Fund is to generate capital growth over rolling 5-year periods and to pursue a sustainable objective by investing in companies which provide solutions to the global water and/or waste related challenges.

## Investment Policy

At all times, the fund will invest at least 70% of its assets in the shares of companies that operate in the water and/or waste related sectors and provide solutions to global water and waste challenges.

## Investment Themes

Investments must have a material\* business involvement along the value chain and related services or industries of the following investment themes:



Water Solutions	Waste Solutions
<ul style="list-style-type: none"> <li>• Water production</li> <li>• Water conditioning and desalination</li> <li>• Water suppliers</li> <li>• Water treatment, transport, and dispatching</li> <li>• Treatment of wastewater, water infrastructure equipment and services</li> <li>• Water related construction and consulting and engineering services</li> </ul>	<ul style="list-style-type: none"> <li>• Waste collection, transporting, sorting, and recycling</li> <li>• Sewage treatment plants</li> <li>• Hazardous waste management</li> <li>• Air filtering and cleaning</li> <li>• Sanitization</li> <li>• Site remediation</li> <li>• Pollution prevention and control</li> <li>• Sustainable packaging</li> <li>• Environment planning</li> <li>• Waste related consulting and engineering services</li> </ul>

\*We typically consider business involvement to be material where at least 40% of a company’s activities (as measured by turnover, enterprise value, earning before income and tax, or similar metrics) are derived from a product or service related to the above investment themes.

## Sustainability & Stewardship

In addition to contributing to these critical sustainability themes, we ensure all investee companies meet minimum standards of environmental, social and governance (ESG) risk and sustainability management via:

- Application of our principle-based exclusion policy (see further p5 *Exclusion Policy*); and
- Our sustainability assessment (see further p6 *Sustainability Assessment*).

These minimum standards apply for all assets in the portfolio, regardless of the extent to which a company's products and services are in support of the investment theme.

We also undertake stewardship activities to enhance our own contribution to positive social and environmental outcomes (see further p9 *Approach to Stewardship*).



## Exclusion Policy

Exclusions are one of the two key tools (along with sustainability assessment) that we apply to ensure all investee companies meet minimum standards of environmental, social and governance (ESG) risk and sustainability management.

The following exclusions apply to all assets of the Fund:

### Negative (involvement) Screens

Category	The fund will avoid investing in companies which directly:
<b>Coal</b>	<ul style="list-style-type: none"> <li>Derive 5% or more of their revenue from the extraction, exploration, or distribution of coal, or from thermal coal power generation.</li> </ul>
<b>Conventional oil and gas</b>	<ul style="list-style-type: none"> <li>Derive 5% or more of their total revenue from the extraction, exploration, distribution, or refinement of oil and/or natural gas, unless a science-based target is in place.</li> </ul>
<b>Unconventional oil and gas</b>	<ul style="list-style-type: none"> <li>Derive 5% or more of their total revenue from unconventional oil and gas products and services, including hydraulic fracturing, oil / tar sands, shale oil and/or gas, coal seam methane and Arctic drilling.</li> </ul>
<b>Nuclear power</b>	<ul style="list-style-type: none"> <li>Derive 5% or more of their total revenue from mining of uranium for the purpose of nuclear power generation, the generation of nuclear power, or the provision of products and services to the nuclear power industry.</li> </ul>
<b>Tobacco</b>	<ul style="list-style-type: none"> <li>Derive 5% or more of their total revenue from the production or distribution of tobacco or related services (including tobacco-related products).</li> </ul>
<b>Weapons and armaments</b>	<ul style="list-style-type: none"> <li>Derive any revenue from manufacture of controversial weapons (such as anti-personnel mines, biological or chemical weapons, cluster munitions, depleted uranium weapons, nuclear weapons, white phosphorous weapons); or</li> <li>Derive any revenue from distribution of, or related services to producers of, controversial weapons; or</li> <li>Derive 5% or more of their total revenue from manufacture, or provision of related services to, conventional weapons or armaments.</li> </ul>

### Norms-based Screens

Category	The fund will avoid investing in companies with:
<b>United Nations Global Compact</b>	<ul style="list-style-type: none"> <li>Breaches of the United Nations Global Compact principles which are categorised as structural and severe.</li> </ul>

## Exclusion Policy (cont'd)

Companies involved in the generation of power/heat from non-renewable sources, or providing dedicated equipment or services therefor, are excluded unless the company is increasing its absolute production of or capacity for contributing products/services, and one of the following conditions is met:

- The company has an SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Or the company derives more than 50% of its revenues from "contributing activities"
- Or the company has more than half its capex dedicated to "contributing activities".
- "Contributing activities" are defined as activities included in the EU taxonomy, OR which contribute clearly and concretely to any of the EU environmental objectives as set out in the Taxonomy, or the Sustainable Development Goals (SDGs)

All reasonable care is taken to implement the Fund's exclusionary screens to meet the criteria described above. We draw on external and supplementary internal research, believed to be accurate, to determine whether an issuer is subject to the exclusionary screens. However, as the nature and conduct of businesses may change over time, and publicly available financial or other information is not always comprehensive or up to date, we do not guarantee that the Fund will meet all of these criteria at all times.

We regularly monitor compliance by the Fund's holdings with the exclusionary screens. If we discover an investment no longer meets our criteria, we will divest the holding as soon as practicable, having regard to the interests of investors.



## Sustainability Assessment

Sustainability assessment involves consideration of quantitative and qualitative factors to form an assessment of a company's **sustainable attributes**.

A company is considered to **maintain sustainable attributes** where the company meets minimum standards of environmental, social and governance (ESG) risk and sustainability management, including sound corporate governance practices.

Within the Fund:

- **A minimum of 70% Net Asset Value** will be invested in assets which currently **maintain sustainable attributes**.
- **A maximum of 30% Net Asset Value** will be invested in assets which demonstrate **improving sustainable attributes** being those:
  - Companies demonstrating positive momentum in ESG / sustainability management and performance, considering trend in internal and/or external ratings and/or factors underpinning these (such as, programs, performance, credible and ambitious targets); and
  - Companies which demonstrate the potential for improvement through the implementation and execution of a formal engagement plan.

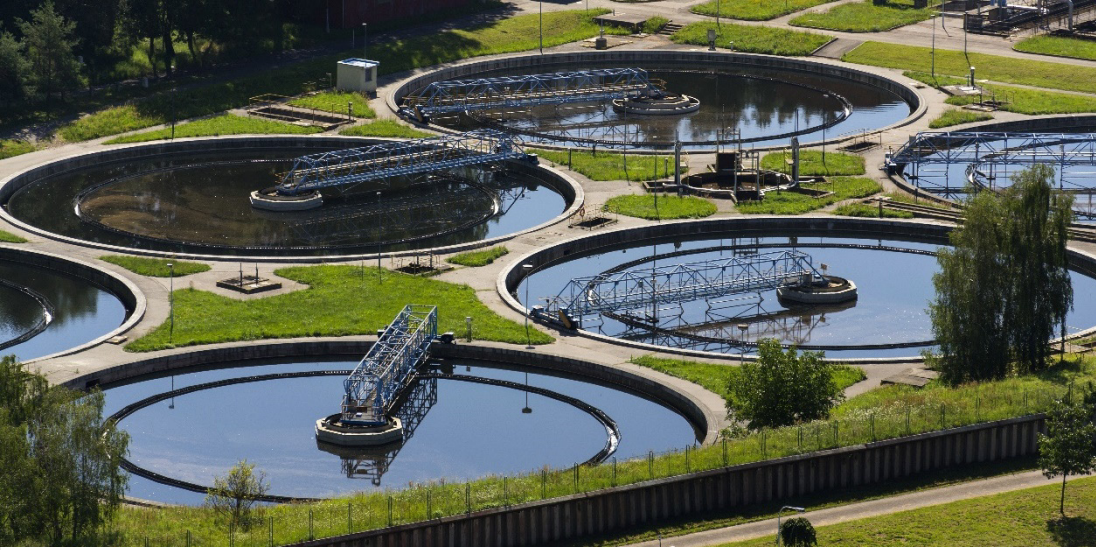
Each of these elements is discussed further below.

In conducting this assessment, we use multiple lines of evidence, for example, data from proprietary models, local intelligence, insights from company visits and data, analysis and ratings provided by internal and/or external ESG specialist providers, including the Regnan Centre.

### Application of Internal and External ESG Ratings in the Sustainability Assessment

ESG ratings from the following sources are key inputs to our Sustainability Assessments:

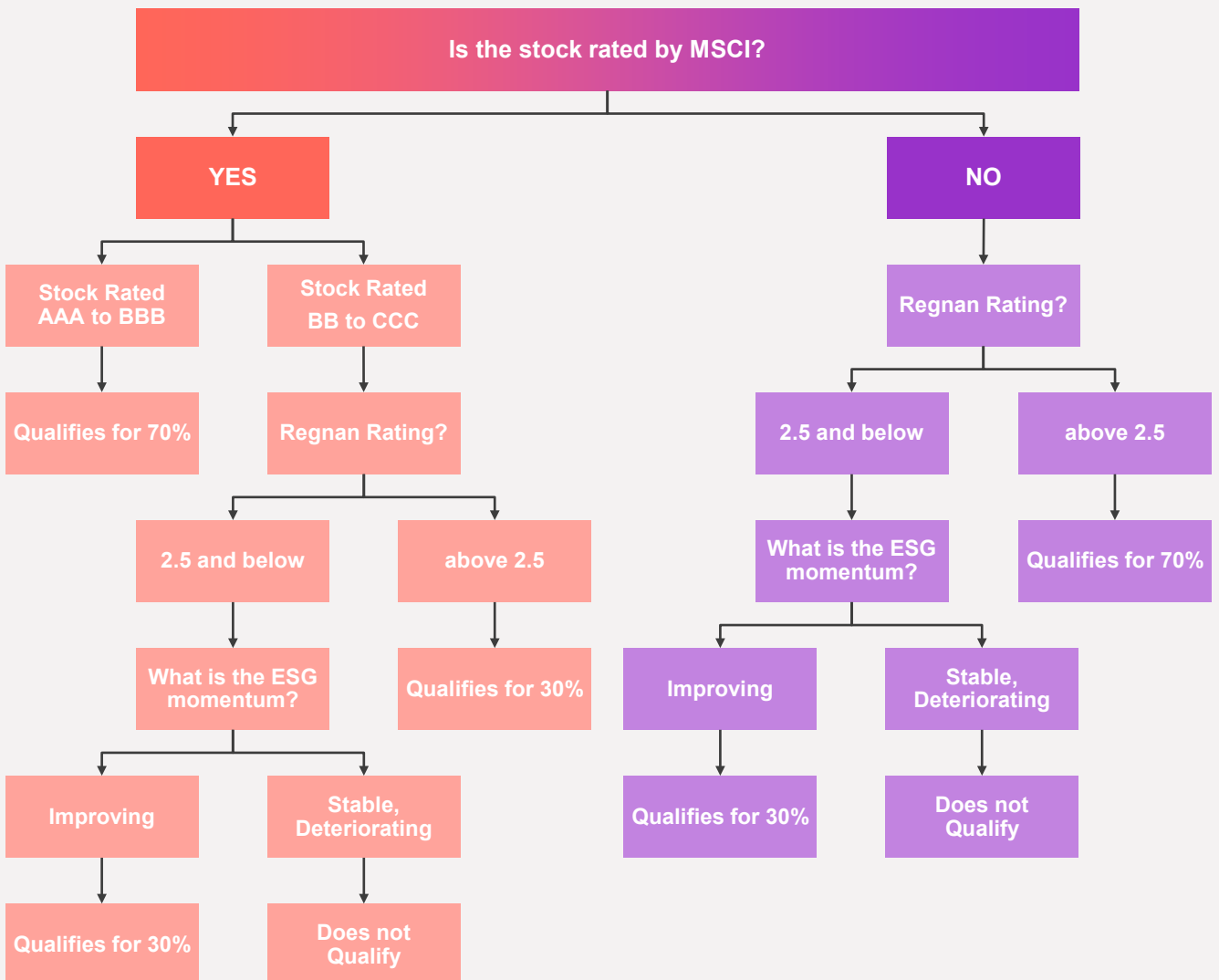
- **MSCI ESG Ratings** are designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. A rules-based methodology is used to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. MSCI ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC). For more information on MSCI's rating's methodology see: <https://www.msci.com/our-solutions/esg-investing/esg-ratings>
- **Regnan's Sustainable Value Assessment (SVA)** is a forward looking and bottom-up analysis of ESG factors undertaken by experienced, specialist resources. Regnan methodologies have been designed to promote comprehensive evaluation of ESG factors, while also providing flexibility to incorporate company specific considerations. Scores for each ESG factor and pillar (E, S and G) are assigned from 1-5 reflecting the extent to which sustainability management is assessed to contribute to sustained value creation: detractor (1-2), neutral (3), support (4-5). Accompanying momentum assessments (stable, improving or weakening) indicate the expected direction of change in the score. Overall ESG scores are an average of E, S, and G pillar scores. See further about the SVA methodology at [regnan.com](http://regnan.com)



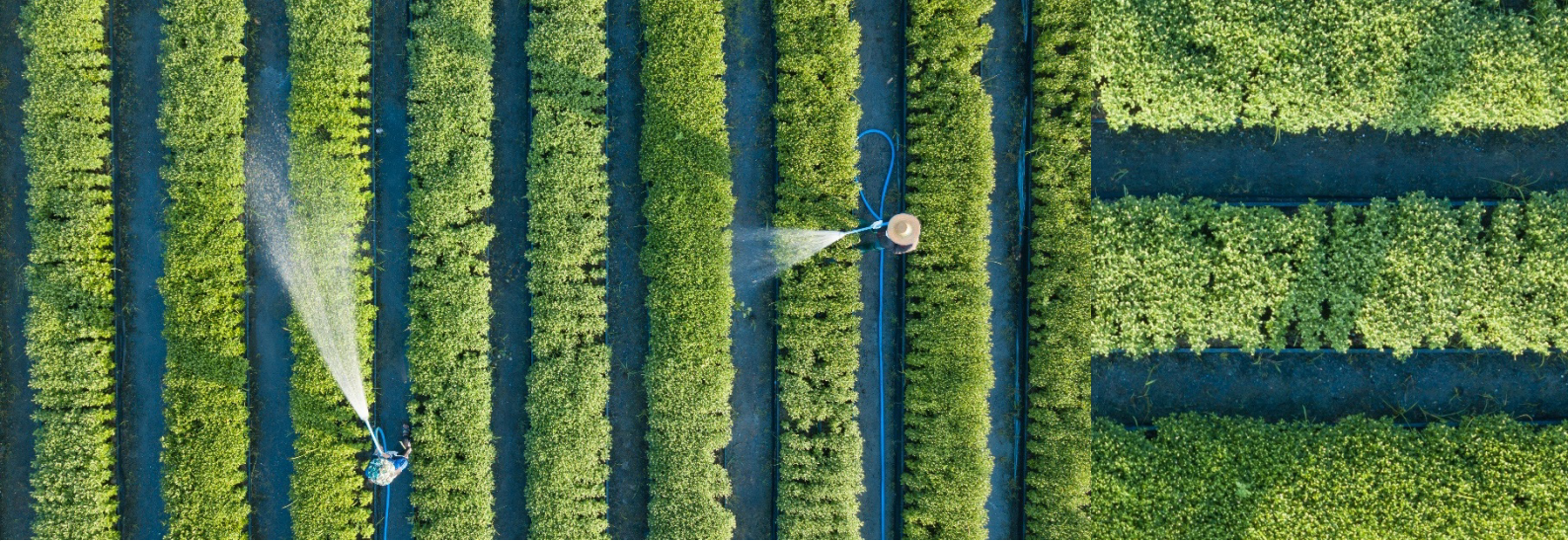
# Sustainability Assessment

The flowchart below sets out how we apply these ratings to support our assessment.

## Application of Ratings within the Sustainability Assessment







# Sustainability Assessment

## Engagement for Change

### *Improvement Potential*

In determining whether a company demonstrates potential for improvement in sustainability attributes through engagement we draw on internal expert views and consider:

- How large the gap is between current performance and minimum standards.
- The nature of the changes that would need to be made and any barriers this presents to change.
- Expected company openness to engagement, considering factors such as shareholding structure, company policy or track record on investor engagement, engagement norms in the local market, and any historical experience we have had in engaging with the company.
- The existence of aligned initiatives that may support achievement of the changes sought.

These considerations apply also to engagement with holdings that maintain sustainable attributes, but where we, nonetheless, see potential for improvement in the investee's response to material ESG risks and opportunities.

### *Engagement Approach*

At the outset of each engagement for change we define engagement objectives – the specific changes sought - to assist us in pursuit and monitoring of engagement progress.

A range of methods may be employed over the course of an engagement in addition to private dialogue (letters, calls and meetings with management and / or the board), such as:

- Coalition building among investors and / or other stakeholders and participation in collaborative initiatives.
- AGM statements.
- Proposing or supporting relevant shareholder-initiated resolutions.
- Considering ESG performance in relevant voting decisions, e.g. on director elections.

Engagement for change typically requires multiple instances of engagement and time, not only to make the case for change, but for changes to be implemented.

We regularly review engagement progress. If there is no evidence of change in progress within 18 months of including the stock in the portfolio on the basis of potential for improvement via engagement, the Fund will exit that position as soon as is reasonably practicable, having regard to the interests of investors. No stock will be held in the portfolio for longer than 24 months on the basis of potential for improvement via engagement.

We report on engagement plans and progress as part of our broader stewardship commitment to transparency.

## Approach to Stewardship

Our stewardship approach is grounded in recognition of the responsibility that comes with the rights entrusted to our caretaking by investors in the Fund and the consequent visibility and influence afforded to us.

We are active stewards of capital under our management:

- **We vote** our shares, drawing on expert advice, both internal and external and seek to align our private and public engagement.
- **We engage** issuers in pursuit of enhanced ESG practices and performance, e.g., by sharing our evaluations of issuers, insights on ESG themes for the sector, and promoting good practices and relevant standards.
- **We advocate** for enhancements to the enabling environment, e.g., by responding to relevant regulatory consultations and contributing to the development of voluntary standards.
- **We contribute** to the evolution of Responsible Investment practice, e.g., publicly sharing research on the investment implications of ESG issues, and prioritising collaboration.
- **We are transparent** with clients and stakeholders about our stewardship activities and outcomes producing public reports at least annually.

Further details about our stewardship approach, activities and outcomes is available at [Regnan.com](https://www.regnan.com).

The Investment Manager (J O Hambro Capital Management Limited) is a signatory to the UK Stewardship Code 2020 (the "Code") and is a signatory to the UN Principles for Responsible Investment (the "UNPRI").



# About Regnan

Regnan is a standalone responsible investment business division of Pandal Group Limited (Pandal). Pandal is an Australian-listed investment manager and owner of the J O Hambro Capital Management Group. Regnan's focus is on delivering innovative solutions for sustainable and impact investment, leaning on over 20 years of experience at the frontier of responsible investment. "Regnan" is a registered trademark of Pandal.

The Regnan business consists of two distinct business lines. The investment management business is based in the United Kingdom and sits within J O Hambro Capital Management Limited, which is authorised and regulated by the Financial Conduct Authority and is registered as an investment adviser with the SEC. "Regnan" is a registered as a trading name of J O Hambro Capital Management Limited. The investment team manages the **Regnan Sustainable Water and Waste Strategy**.

Alongside the investment team is the Regnan Insight and Advisory Centre (Regnan Centre) of Pandal Institutional Limited in Australia, which has a long history of providing services on environmental, social and governance issues.

The Fund benefits from the Regnan Centre's expertise, including in:

- ESG thematic and stock research – the Regnan Centre's Sustainable Value Assessment (SVA) methodology.
- Corporate engagement and advocacy in pursuit of enhanced ESG practices and performance.
- Proxy voting.
- Implementation of exclusions.

While the investment management team will often draw on services from and collaborate with the Regnan Centre, they remain independent of the Regnan Centre team and are solely responsible for the investment management of the Regnan Sustainable Water and Waste Fund.

## Disclaimer

THIS DOCUMENT IS FOR PROFESSIONAL INVESTORS ONLY.

Regnan is a standalone responsible investment business division of Pental Group Limited (Pental). Pental is an Australian-listed investment manager and owner of the J O Hambro Capital Management Group. Regnan's focus is on delivering innovative solutions for sustainable and impact investment, leaning on over 20 years of experience at the frontier of responsible investment. "Regnan" is a registered trademark of Pental.

The Regnan business consists of two distinct business lines. The investment management business is based in the United Kingdom and sits within J O Hambro Capital Management Limited, which is authorised and regulated by the Financial Conduct Authority and is registered as an investment adviser with the SEC. "Regnan" is a registered as a trading name of J O Hambro Capital Management Limited. The investment team manages the Regnan Global Equity Impact Solutions (RGEIS) strategy which aims to generate market-beating long-term returns by investing in solutions to the world's environmental and societal problems. The RGEIS strategy is distributed in Australia by Pental Fund Services Limited.

Alongside the investment team is the Regnan Insight and Advisory Centre of Pental Institutional Limited in Australia, which has a long history of providing engagement and advisory services on environmental, social and governance issues. While the investment management team will often draw on services from and collaborate with the Regnan Insight and Advisory Centre, they remain independent of the Regnan Insight and Advisory Centre and are solely responsible for the investment management of the RGEIS strategy.

Issued and approved in the UK by J O Hambro Capital Management Limited ("JOHCML") which is authorised and regulated by the Financial Conduct Authority. Registered office: Level 3, 1 St James's Market, London SW1Y 4AH. J O Hambro Capital Management Limited. Registered in England No:2176004.

Issued in the European Union by JOHCM Funds (Ireland) Limited ("JOHCM") which is authorised by the Central Bank of Ireland. Registered office: Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

Regnan is a trading name of J O Hambro Capital Management Limited.

The registered mark J O Hambro® is owned by Barnham Broom Holdings Limited and is used under licence. JOHCM® is a registered trademark of J O Hambro Capital Management Limited.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. ([www.msci.com](http://www.msci.com))

The information in this document does not constitute, or form part of, any offer to sell or issue, or any solicitation of an offer to purchase or subscribe for Funds described in this document; nor shall this document, or any part of it, or the fact of its distribution form the basis of, or be relied on, in connection with any contract.

Recipients of this document who intend to subscribe to any of the Funds are reminded that any such purchase may only be made solely on the basis of the information contained in the final prospectus, which may be different from the information contained in this document. No reliance may be placed for any purpose whatsoever on the information contained in this document or on the completeness, accuracy or fairness thereof.

No representation or warranty, express or implied, is made or given by or on behalf of the Firm or its partners or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this document, and no responsibility or liability is accepted for any such information or opinions (but so that nothing in this paragraph shall exclude liability for any representation or warranty made fraudulently).

## Disclaimer

The distribution of this document in certain jurisdictions may be restricted by law; therefore, persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any such distribution could result in a violation of the law of such jurisdictions.

The information contained in this presentation has been verified by the firm. It is possible that, from time to time, the fund manager may choose to vary self imposed guidelines contained in this presentation in which case some statements may no longer remain valid. We recommend that prospective investors request confirmation of such changes prior to investment. Notwithstanding, all investment restrictions contained in specific fund documentation such as prospectuses, supplements or placement memoranda or addenda thereto may be relied upon.

Investments fluctuate in value and may fall as well as rise and that investors may not get back the value of their original investment.

Past performance is not necessarily a guide to future performance.

Investors should note that there may be no recognised market for investments selected by the Investment Manager and it may, therefore, be difficult to deal in the investments or to obtain reliable information about their value or the extent of the risks to which they are exposed.

The Investment Manager may undertake investments on behalf of the Fund in countries other than the investors' own domicile. Investors should also note that changes in rates of exchange may cause the value of investments to go up or down.

The information contained herein including any expression of opinion is for information purposes only and is given on the understanding that it is not a recommendation.

Notice to Swiss investors: RBC Investor Services Bank S.A., with registered office at Esch-sur-Alzette, Badenerstrasse 567, P.O. Box 1292. CH-8048 Zurich has been appointed to act both in a capacity as Swiss representative and Swiss paying of the JOHCM Asia ex Japan Fund. All legal documentation pertaining to the JOHCM Asia ex Japan Fund can be obtained free of charge from the Swiss representative. The place of performance and jurisdiction in relation to [shares/units] distributed in Switzerland is at the registered office of the Swiss representative.

**Information on how JOHCM handles personal data which it receives can be found in the JOHCM Privacy Statement on our website: [www.johcm.com](http://www.johcm.com)**