



## **RESPONSIBLE INVESTMENT POLICY**

Issued by: Compliance

Release date: August 2025

Scope: Group

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## 1. Purpose & Interpretation

This policy (the “**Policy**”) applies to all entities of the Systematica Group, as defined in the Systematica Global Definitions, as updated from time to time.

Any defined terms in the Policy shall have the meaning given to them in the Systematica Global Definitions, as updated from time to time, unless otherwise defined below.

The Policy has been formulated to seek to ensure compliance with all applicable regulatory requirements, as updated from time to time.

## 2. Systematica’s Commitment and Trading Considerations

Systematica recognises that a sustainable and responsible investment strategy is key for long-term value creation for all stakeholders.

Accordingly, Systematica seeks to incorporate Environmental, Social and Governance (“ESG”) considerations into its investment decision-making processes where appropriate. As a scientific and data-driven group, Systematica is committed to exploring methodologies and practices for doing so with respect to its various strategies.

Systematica understands that certain asset classes present a more effective opportunity than others to implement ESG considerations. For asset classes where ESG considerations are at an earlier stage of development, Systematica continues to monitor and evaluate potential approaches to integrating ESG considerations into its investment decision making processes.

At present, Systematica’s ESG approach is primarily applied to equity trading (single stocks and stock indices) in certain strategies. The approach aims to generate a signal based on a net positive ESG tilt (across various stocks and indices) over a period of time. ESG related data is obtained from various data providers. The data in effect provides a ‘scorecard’ for various stocks or indices in respect of each of the ESG characteristics. This is combined with Systematica’s proprietary thematic score to produce a combined ESG score. Systematica’s thematic score aims to find investment themes by considering the scorecard data and comparing it against a particular sector. The thematic score considers (i) metrics (ii) policies and (iii) forward looking targets of various companies. This additional information is sourced from Refinitiv and potentially corporate disclosure reports and research papers. The combined ESG score is then further combined with various alpha factors in the relevant portfolio, i.e., such as momentum, value or defensive, to create a bespoke ESG alpha. The ESG alpha is further combined with cost control elements in the portfolio such as investment restrictions, Co2 exposure caps (in China) and exclusions list (as is updated from time to time) to yield a signal. The cost-controlled signal is then sent to production to be included in the algorithmic trading process.

## 3. Codes & Initiatives

### 3.1. Promotion of Responsible Investment

Systematica is a signatory to the United Nations-supported Principles for Responsible Investment (“**UN PRI**”) and the Standards Board for Alternative Investments (“**SBAI**”). Both entities are committed to develop robust frameworks for the deployment, implementation and observance of ESG considerations across the industry. It is Systematica’s belief that its participation and promotion of the principles and guidelines issued by the UN PRI and SBAI are a demonstration of its commitment in incorporating ESG considerations in its investment philosophy.

### 3.2. UN Principles for Responsible Investment

Systematica became a signatory of the UN PRI in 2017. The UN PRI were issued in 2006 by UNEP Finance Initiative and the UN Global Compact and provide a voluntary framework under which

participants can include ESG considerations into their decision-making and ownership practices and better align their investment goals with those of society at large<sup>1</sup>.

The six UN PRI are as follows:

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

### 3.3. Standard Boards for Alternative Investments

Systematica is a signatory of the SBAI which closely aligns with many of Systematica's core values, with key focus areas including:

- ✓ disclosure;
- ✓ valuation;
- ✓ risk management;
- ✓ fund governance; and
- ✓ shareholders' conduct.

Conformity with these standards is on a "comply-or-explain" basis, and disclosure statements are required to be made available to all existing and prospective Investors upon request.

### 3.4. Carbon Disclosure Project

Systematica is a supporter of the Carbon Disclosure Project (CDP) and registered in 2020. The CDP supports investors to disclose the environmental impact of major institutions. The CDP is focussed on developing a culture of environmental reporting and environmental risk management to achieve a more sustainable economy.

### 3.5. Task Force on Climate-related Financial Disclosures

Systematica became a signatory supporter of the Task Force on Climate-related Financial Disclosures (TCFD) in 2020. While the TCFD disbanded in 2023, the TCFD recommendations were incorporated into entity level reporting requirements implemented by the FCA. Systematica produces an annual TCFD entity level report for SIUK as the FCA regulated entity within the group. This report may be accessed via the Systematica website.

## 4. Investment Process

Systematica's approach to investments is process-based. Systematica formulates hypotheses about market dynamics, tests them scientifically and then, if applicable, implements automated models to

<sup>1</sup> This initiative comprises a network of international investors working together to put the six Principles for Responsible Investment into practice. The PRI were devised by the investment community and reflect the view that environmental, social and governance issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system. Source: <https://www.unglobalcompact.org/take-action/action/responsible-investment>

profit from those hypotheses. Systematica has formulated hypotheses about the materiality of ESG considerations for risk mitigation and alpha in public equity markets.

Systematica integrates these ESG considerations in the investment process where applicable and relevant to the strategy. In the face of no negative impact to the investment process, Systematica does not see a reason why ESG considerations and climate change risk should not be considered for integration into a strategy.

The research and investment team has evaluated multiple vendors of ESG raw and derived data and has formulated an ESG integration strategy with the goal to create a systematic approach to the task of identifying companies with the highest and the lowest score against the ESG considerations per industry. This approach looks at a wide variety of ESG factors and seeks to capture immediate developments and long-term trends. The focus is on selecting a small set of material measures in each industry and ranking each company on its level and improvements along these dimensions.

The type of ESG factors that are assessed as part of the investment process, where applicable, include:

- **Environmental factors** including climate change: emissions reduction and carbon tax; energy and water consumption.
- **Social factors** including employee training, injuries and casualties.
- **Governance factors** including policies, committees and board independence.

The Investment Manager makes assessments on these ESG factors and may expand upon these factors from time to time. These ESG factors form part of a proprietary ESG scoring system utilised by Systematica. This ESG scoring is completed for all investee companies and corporate issuers (subject to data availability) in the appropriate funds. These ESG weightings are customised based on specific industry criteria identified by the research analysts and are integrated into the investment process for the relevant strategies, meaning that an applicable fund will be overweight in companies that score highly and underweight in companies that have a lower score in comparison to a relevant fund that did not take into account the ESG weightings and considerations. Sustainability is also defined by exclusion criteria whereby issuers of a security will be excluded if the issuer produces, distributes or maintains outlawed weapons, such as landmines and cluster munitions. Finally, research analysis also seeks to identify long-term thematic trends in climate change mitigation to enable the relevant funds to take a position in relevant baskets of securities when these trends manifest themselves.

Systematic sustainability issues are defined by the UNPRI as:

Issues that pose systematic risks to the common economic, environmental and social assets on which returns and beneficiary interests depend. Systematic risk (interchangeable with “market risk” or “market-wide risk”) refers to risks transmitted through financial markets and economies that affect aggregate outcomes, such as broad market returns. Because systematic risk occurs at a scale greater than a single company, sector or geography, it cannot be hedged or mitigated through diversification. However, systematic sustainability issues can, and should, be influenced through responsible investment activities.

The Investment Committee reviews all components of the systematic investment strategies. These include the alpha components, risk & cost models and portfolio construction. Depending on the materiality of ESG considerations (exclusion, integration, etc.), ESG criteria can be used in each of these components and are as such reviewed by the Investment Committee, and the Executive Committee if applicable.

## **5. Exclusions List**

The exclusion and restriction of certain types of investment is an element of Systematica's commitment towards responsible investment. Accordingly, Systematica has implemented measures specifically aimed at restricting the investment in issuers involved in the design and manufacture of illegal cluster munitions and anti-personnel mines. Systematica's exclusion list is derived from industry recognised sources and applied at the investment decision making model level. Systematica also excludes all sanctioned entities on relevant sanctions lists. Pre-trade controls are in place to review and assess new additions to the investable universe. Post-trade controls are also in place to ensure appropriate monitoring.

A copy of the exclusions list is maintained by the Compliance team in consultation with the Research team and the Head of Sustainability.

## **6. Governance**

Systematica's Investment Committee reviews all components of the systematic investment strategies. These also include the ESG considerations taken into account by Systematica's research team when developing an investment idea. Systematica's management, along with Systematica's Executive Committee, seeks to track the progress of responsible investment initiatives and developments.

All departments have their share of responsibility in ensuring this Policy is correctly implemented and observed. These include Systematica's research teams, Legal & Compliance team and Risk team.

## **7. Stewardship and Proxy Voting**

As part of Systematica's investment strategy, it seeks to only take positions in companies' shares through Contracts for Difference. As such, Systematica does not invest in the underlying shares which carry voting rights. Furthermore, Systematica does not use corporate access as part of its investment process. Further detail can be found in Systematica's Proxy Voting Policy.

## **8. Policy Review**

This Policy will be considered for review at least on an annual basis and/or whenever any material change or update is deemed as required.