

# Harrington Cooper UCITS Funds ICAV – HC Boston Common Global Equity Impact Fund Sustainability Related Disclosures

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## Summary

This disclosure is made by the Harrington Cooper UCITS Funds ICAV – HC Boston Common Global Equity Fund (the ‘Fund’) and Boston Common Asset Management, LLC, the investment manager of the Fund, (the ‘Investment Manager’) pursuant to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (‘SFDR’).

The Fund is a fund which has a sustainable investment objective, under Article 9 SFDR, through investing in a diversified and actively managed portfolio of global sustainable equities.

The Fund seeks to generate competitive investment returns by investing in sustainable businesses which are striving to deliver a cleaner, healthier and more sustainable environment.

The Investment Manager employs active shareowner engagement strategies to improve the manner in which businesses interact with the environment and society.

## Description of the Sustainable Investment Objective

The Fund has sustainable investment as its objective and seeks to provide long-term capital appreciation through investment in a diversified and actively managed portfolio of global sustainable equities.

In seeking to fulfil its sustainable investment objective, the Fund follows a multi-thematic sustainable investment strategy focusing on three long-term environmental and social sustainable themes, namely (i) climate change and earth renewal, (ii) inclusion and empowerment and (iii) health and community well-being. Within the environmentally sustainable theme of climate change and earth renewal, the Fund seeks to achieve positive environmental impact by investing in companies that are leading the way to a zero-carbon economy or otherwise contributing positively to environmental solutions. In addition, as part of its socially sustainable investment themes of inclusion and empowerment and health and community well-being, the Fund invests in companies contributing positively to social solutions.

The environmentally sustainable investments of the Fund contribute to the Taxonomy Regulation objectives of climate change mitigation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems.

No reference benchmark has been designated for the purpose of attaining the sustainable objectives followed by the Fund.

## Description of the Investment Strategy

To achieve its objective of sustainable investment (as further outlined above), the Fund uses a combination of financial and non-financial indicators to identify securities which meet the overall sustainability criteria applied by the Investment Manager. The sustainability criteria are designed to identify companies with strong ESG characteristics that provide long-term capital appreciation and are positively exposed to three long-term thematic sustainability pillars including “Earth Renewal and Climate Change”, “Human Rights, Equity and Social Mobility” and “Health, Wellness and Community Well-being”.

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The Fund seeks to generate competitive investment returns by investing in sustainable businesses which are striving to deliver a cleaner, healthier and more sustainable environment. The Investment Manager employs active shareowner engagement strategies to improve the way businesses interact with the environment and society.

The Fund will normally hold 50-70 stocks. The Fund invests predominantly in transferable securities, such as equities and may occasionally invest in other securities such as preferred stocks, convertible securities (not embedding FDIs) and warrants on transferable equity securities of global companies. The Fund will typically be fully invested, with the exception that the buying and selling of securities may temporarily generate higher levels of cash. Generally, each holding will represent no more than 5% of the Fund's holdings at the time of purchase. Country and sector allocation is a direct result of the stock selection process.

The Fund seeks to preserve and build capital through a diversified portfolio of stocks that the Investment Manager believes are sustainable companies and which are assigned to the following revenue-aligned categories:

- (i) Solutions companies that generate >50% revenues from products or services that provide solutions to environmental and/or social challenges.
- (ii) Solutions exposure companies that generate material albeit less than 50% revenues from products or services that provide solutions to environmental and/or social challenges.

The Fund seeks to invest in companies whose products and/or services help to provide solutions to mitigate climate change and reversal of environmental damage, as well as companies that help to advance equity, social mobility, respect for human rights and wellbeing, addressed through three thematic sustainability pillars that encompass a subset of impact investment themes:

- (i) Earth Renewal and Climate Change: evaluated by contribution to factors such as recycling and eco-efficiency, renewable energy, water quality and waste management and sustainable transportation.
- (ii) Health, Wellness and Community Wellbeing: evaluated by contribution to factors such as access to health and healthier and organic products.
- (iii) Human Rights, Equity and Social Mobility: evaluated by contribution to factors such as education and communication empowerment, sustainable and inclusive finance and community investing.

In that respect, the Investment Manager has set up the following processes:

- (i) Top-down sector research to identify the leading practices and companies in each sector.
- (ii) Bottom-up research that integrates comprehensive ESG criteria with financial research to identify sustainable companies.

### *Good Governance Practices*

The Fund considers good governance as part of the investment decision making process. Good governance practices are considered qualitatively and quantitatively in the process.

The Investment Manager believes that strong transparency and accountability mechanisms should lead to improved management of ESG risks and opportunities. This Investment Manager assesses prospective investments for issues relating but not limited to ownership and control, board structure, board diversity, pay practices, accounting and tax practices, political and lobbying practices and stakeholder engagement. The Investment Manager reviews policies, such as codes of conduct and anti-bribery and corruption policies, as well as compliance infrastructure to assess governance practices.

The Investment Manager examines the history and pattern of corporate behaviour going back five years and assesses remediation of governance controversies.

**Explanation of No Significant Harm to the Sustainable Investment Objective**

The Investment Manager applies the following in implementing the “Do Not Significantly Harm (DNSH)” principle:

- (i) “Avoid” guidelines on product/services revenues that when used as intended cause harm.
- (ii) “Avoid” guidelines on specific company practices as detailed in the Investment Manager’s comprehensive investment guidelines.
- (iii) Engagement with companies across the portfolio to reduce harmful outcomes, for example:
  - a. Bank lending to mountaintop removal, deforestation, emissions-intensive industries.
  - b. Reporting and improving corporate governance of sustainability to ensure continued focus on reducing harm.

The Investment Manager’s DNSH process described above incorporates the Principal Adverse Impacts (PAIs) set out in Part 1 of Annex 1 of the SFDR RTS and such other PAIs as the Investment Manager deems appropriate given the nature of the underlying investment.

The Investment Manager’s ESG guidelines and principles are informed by the principles underlying the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set forth in the 8 “fundamental” conventions identified in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work (covering subjects considered to be fundamental principles and rights at work, e.g., freedom of association and the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation) and the International Bill of Human Rights and the Investment Manager seeks to ensure that the Fund’s sustainable investments are aligned with the same through the application of such guidelines and principles in its investment management decision making process.

As part of the Investment Manager’s fundamental analysis and going beyond the pre-checks of the DNSH principles as outlined within both the SFDR and the Taxonomy Regulation, the Investment Manager will analyse how well an investee company manages its material ESG issues, and integrate this in the Fund’s holistic company assessment. ESG factors are important, can have a fundamental influence on a given company’s operations and its ability to generate value for shareholders and will vary between industries. Factors that may be assessed include, for example, a company’s supply chain management, human capital management, its capacity for innovation, its environmental and social impact, including any ESG controversies and its corporate governance structure.

The Investment Manager bases its ESG analysis for the Fund on its own proprietary approach and may from time to time use a mix of independent inputs to the ESG data from third party sources. The Investment Manager believes that it has better insights into some of the variables than some of the data providers given the experience and expertise of the investment team on sustainability research, as well as their constant interaction and engagement with management teams and thorough research process.

**Description of the Portion of Sustainable Investments in the Article 9 Fund**

The Fund invests at least 90% of its net asset value in assets that have been determined as “eligible” as per the sustainable investment process in place, hence in investments that are defined as sustainable. The remaining 10% of the investments are bank deposits at sight, including cash.

While 90% of the net asset value will be invested in sustainable investments, at any given time the allocation between socially sustainable and environmentally sustainable investments may vary. At all times the minimum net asset value of the Fund comprising socially sustainable investments will be 35% and the minimum net asset value comprising environmentally sustainable investments will be 35%.

Investments with environmental objectives are made in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy meaning that 0% of the investments of the Fund will be Taxonomy-aligned investments.

**Description of how the Sustainable Investment Objective and the Sustainability Indicators are Monitored**

The analysis of certain sustainability indicators is systematically integrated into the investment decision-making process. The attainment of the sustainable investment objectives is assessed by investing in securities financing economic activities that substantially contribute to the environmental and/or social objectives mentioned above. The sustainability indicators used to measure the attainment of the sustainable investment objectives of this Fund are systematically integrated into the investment decision-making process for the Fund and include:

- (i) Earth Renewal and Climate Change: recycling and eco-efficiency, renewable energy, water quality and waste management and sustainable transportation.
- (ii) Health, Wellness and Community Wellbeing: access to health and healthier and organic products.
- (iii) Human Rights, Equity and Social Mobility: education and communication empowerment, sustainable and inclusive finance and community investing

**Description of Measurement Methodology**

The Investment Manager utilises a proprietary methodology to determine company alignment with the sustainability themes. The exposure to the themes will be assessed and reported on a quarterly basis.

**Description of Data Sources and Data Processing**

*Research Process*

The Investment Manager has built a proprietary research process to evaluate the sustainable characteristics of companies. The research process entails proprietary in-house research, which is supported and complemented by third-party research, to assess company Products, Policies and Processes and to determine compliance with the ESG criteria.

*Data Use*

External service providers utilized for ESG data include ISS, MSCI, Moody’s, RepRisk and Sustainalytics. When evaluating and selecting data providers, the Investment Manager assesses and considers coverage, methodology and data quality. Estimated data may be utilized when reported data are unavailable or unreliable.

### *Engagement*

Active engagement is an important and integrated part of the investment process. Several engagement tools are used to further understand, expose and improve disclosures, policies and practices of investee companies.

### **Description of Limitations to Methodologies and Data**

The Investment Manager's approach to evaluating the companies within its investment universe may be constrained by the availability, quality and relevance of thematic and sustainability related data available to the Investment Manager.

The availability, quality and relevance of data relating to sustainability and thematic exposure within the investment universe may be limited, both in an absolute sense and in a relative sense when considering particular markets or sectors within the investment universe, due to a lack of sustainability related regulations and reporting standards, changes in sustainability related regulations and reporting standards, inconsistencies in sustainability related regulations and reporting standards between jurisdictions, a lack of historic information available on sustainability for companies, low coverage on, or inconsistencies with respect to the evaluation of, particular companies by third party research and data providers or material inaccuracies in the sustainability related information reported by companies.

Limitations in the availability, quality and relevance of the sustainability related data outlined above may make it difficult for the Investment Manager to ascertain the exposure of a company to the Fund's sustainable investment objective, to assess the progress of a company in the context of the sustainable investment objective over a certain time frame, to carry out consistent analysis on companies from the perspective of the sustainable investment against its industry peers in the same or other jurisdictions or to verify the Investment Manager's assumptions and calculations concerning a particular company.

### **Description of Due Diligence on Underlying Assets**

The investable list or "Focus list" of the Global Equity Impact Strategy consists of approximately 150 companies that meet the Investment Manager's comprehensive ESG criteria. Should a company no longer meet the Investment Manager's ESG criteria, it will be removed from the list. As a control measure, prior to initiating a new position, the Investment Manager's ESG Team produces a detailed research report on each company under consideration for inclusion in the portfolio and approves it for purchase.

On a quarterly basis, the Investment Manager reviews all holdings to confirm continued compliance with the ESG criteria. The Investment Manager utilizes third-party data from MSCI and Moody's and performs customized research during the review. The Investment Manager additionally utilizes RepRisk to continuously monitor holdings involvement in any controversial events. A stock will be sold if it is determined to no longer meet the qualifying criteria.

### **Engagement**

The Investment Managers establishes a three-year rolling engagement framework with specific work streams covering issues such as carbon asset risk in the financial sector, supply chain accountability and

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improved oversight at the board level. The Investment Manager uses several tools such as sustained dialogue, benchmarking and standard-setting, investor letters and statements, shareholder proposals and public policy testimony.

The Investment Manager conducts active engagement across three strategic levels:

- (1) Top-down engagement addressing two to three key initiatives across the strategic sustainability pillars: Earth Renewal and Climate Change; Health, Wellness and Community Wellbeing; and Human Rights, Equity and Social Mobility. Embedded across all strategic sustainability pillars is a focus on governance.
- (2) Bottom-up stock level engagement, including through initial purchase outreach.
- (3) Opportunistic or topical initiatives that arise, such as global COVID-19 impacts, addressing systemic racism in the US and protecting shareholder rights in the US.

The Investment Manager takes a long-term approach, engaging holdings from initial purchase onwards and occasionally before buying. The Investment Manager utilizes engagement to encourage long-term thinking by corporate managements, improve transparency and accountability and improve environmental, social and governance performance. If a company is not receptive to direct engagement or if dialogue stalls, the Investment Manager looks for other opportunities to engage, including through collaborative investor engagement, which tends to be more public in nature. The Investment Manager may escalate the engagement through issuing public statements at annual general meetings or filing shareholder proposals. The Investment Manager also utilizes proxy voting and may vote against the board or a certain chair of a committee if practice is lagging regarding climate or board diversity. Over time, if a company continues to be non-responsive, the Investment Manager may change its opinion of management quality.

The Investment Manager files shareholder proposals each year with a select group of US companies. The Investment Manager generally files resolutions when a company dialogue has stalled or when a company is not willing to engage. The most common issues on which the Investment Manager files include board gender or racial diversity, climate change (and specifically the adoption of greenhouse gas emission reduction targets), human rights, political and lobbying disclosure and sector-specific issues like US drug pricing strategy or COVID response within the pharmaceutical sector.

### **Description of Engagement Policies**

Active Stewardship, consisting of proxy voting and engagement, is an important part of the Investment Manager's approach to the management of the Fund and is aimed at improving the risk/return profile of investee companies while positively impacting and contributing to society. The Investment Manager believes that sustainable corporate behaviour can be enhanced by actively exercising shareholder rights.

The Investment Manager's approach is not only designed to encourage robust corporate governance structures for the Fund's investee companies, but also to ensure that the rights of shareholders are protected as well as advocating for good environmental and social practices.

The Investment Manager has direct dialogue with portfolio companies and engages with them to discuss material ESG issues relevant to the specific business case, how they manage and respond to

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ESG risks and seize business opportunities related to certain sustainability challenges (for example on environmental-related engagement topics). The Investment Manager also receives operational support from a third-party solution provider that is used to implement voting decisions.

The Investment Manager views significant sustainability related controversies that may have material impact on a company's performance as potential topics for engagement with companies. Once the Investment Manager identifies a significant ESG controversy or risk, it may reach out to the company and engage with management, track and monitor the company's progress in addressing the controversy and report on the outcome. In case of unsatisfactory performance in addressing the controversy, the Investment Manager may divest from the company.

The Investment Manager's engagement policy is available at <https://bostoncommonasset.com/philosophy/>.

### **Description of the Attainment of the Objective**

The reference index, the MSCI AC World Index, is a general market index, and does not take into account environmental, social and governance factors. The index is used for performance objectives and performance measurement. Its methodology can be found by the index provider: <https://www.msci.com/>.

The construction of the eligible investment universe takes place through the selection of companies that comply with the Investment Manager's thematic exposure criteria (i.e. by deriving a significant portion of their current or future revenue from activities that are in line with the Fund's sustainable investment objective) and with the Investment Manager's exclusion list for the Fund. The Investment Manager monitors the attainment of the sustainable investment objective on a quantitative and qualitative basis.