Summary

This disclosure is made by the Polar Capital Funds plc – Biotechnology Fund (the '**Fund**') pursuant to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 ('**SFDR**').

The Fund seeks to invest in companies within the biotechnology investment universe that promote the following characteristics:

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

The Investment Manager has employed a three-stage investment decision making approach to promote the attainment of these characteristics:

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

The Investment Manager measures the alignment of an investee company with the Fund's characteristics by evaluating the degree to which the relevant company's revenue or, where appropriate, research and development spend corresponds with one or more of them.

Further, an investee company's broader ESG profile is assessed by the Investment Manager first considering third party ESG analysis and then conducting its own in-depth ESG assessment of a company to corroborate and/or challenge this analysis.

Where the Investment Manager has concerns about an investee company's alignment with the Fund's characteristics or its broader ESG profile, the Investment Manager may engage with the company to obtain further information or to encourage appropriate action to redress these concerns.

The Investment Manager uses a variety of public and third-party data sources to conduct its assessment of investee companies against the characteristics and their performance from an ESG perspective, as well as drawing on information gained from the direct engagements with companies referenced above, although the Investment Manager notes the difficulties in assessing companies' alignment with the Fund's characteristics and their performance from an ESG perspective due to challenges in the availability, quality, comparability and timeliness of both financial and sustainability data.

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The Investment Manager monitors the Fund's investee companies' alignment with the promoted characteristics and with its broader ESG framework on a monthly basis.

The Fund does not have a reference benchmark to measure the performance of its characteristics.

'No Sustainable Investment Objective' disclaimer

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics promoted by the Fund

The Fund evaluates companies within the biotechnology investment universe on the basis of their ability to:

(iv) improve clinical outcomes for patients through innovation;
(v) improve the affordability and accessibility of healthcare services; and
(vi) improve the efficiency of the delivery of healthcare services.

The Fund primarily seeks to invest in companies within the biotechnology investment universe that contribute, through products and services or the development of products and services, to one or more of these characteristics.

By investing in these companies, the Investment Manager believes that the Fund contributes to Goal 3 of the United Nations Sustainable Development Goals 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 environment, through considerations such as responsible consumption and production, and social matters, such as ending poverty and ensuring children receive quality education. The full list of the 17 UN SDGs can be found here - https://sdgs.un.org/goals.

For the avoidance of doubt, the Investment Manager reserves the right to invest in issuers that do not contribute to one or more of these characteristics.

Description of the investment strategy of the Fund

The Fund's investment objective is to preserve capital and achieve long-term capital appreciation.

The Fund seeks to achieve its investment objective by primarily investing in companies within the biotechnology investment universe that contribute to one or more of the characteristics outlined above.

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Once the Investment Manager has applied its screens to identify those companies within the biotechnology investment universe, the Investment Manager evaluates a company's alignment the Fund's characteristics and broader ESG profile by applying a three-stage process:

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

These stages are outlined in more detail below.

Exclusionary 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 which, in the view of the Investment Manager, amounts to approximately 700 companies globally.

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 evaluating each company against its 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 decides that a company does not align adequately with these standards, the Investment Manager will exclude that company from the Fund.

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

The Investment Manager believes that companies create and protect shareholder value when they act according to generally accepted principles of good corporate responsibility, considering stakeholders relevant to their immediate business, society more broadly and the sustainability

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characteristics of their products and services, including the resources, materials and labour used in their production and distribution.

Therefore, the Investment Manager believes this requires not only an assessment of a company's financial profile, but also an assessment of its alignment with the Fund's characteristics and a broad range of ESG issues material to the biotechnology industry.

The Investment Manager first reviews the alignment of the company's products and services that generate its revenue with the Fund's characteristics. Where a company is at the pre-revenue stage, or where it is otherwise appropriate, the Investment Manager will also assess the alignment of a company's research and development or operational expenditure with the Fund's characteristics.

From an environmental perspective, the Investment Manager will assess each company's approach to greenhouse gas emissions and toxic waste and emissions, 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 biotechnology 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 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. 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.

Description of methodologies used by the Investment Manager to evaluate the characteristics

The Investment Manager assess the alignment of the companies with the characteristics in the following ways.

Improving clinical outcomes through innovation – The Investment Manager assesses the ability of the companies' products and services to treat a range of different medical conditions. The Investment Manager looks for companies whose products and services that are not only treating diseases or conditions for which there is no prior cure, but that are also are 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 whose products and services are providing preventative treatments or medicines, rather than just those treat diseases or conditions that have already developed.

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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 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 assesses, for each company in the portfolio, exposure to each of these characteristics through consideration of either revenue or research and development (R&D) spend. In the case of pre-revenue companies, an analysis of R&D activities is performed to identify which characteristics the company is aligned to. The analysis of revenue and R&D spend for each company must prove that all of the Fund's investee companies are materially exposed to one or more of the three promoted characteristics.

In the Investment Manager's experience, the vast majority of companies tend to be materially aligned with one characteristic. Where a company aligns with two or three characteristics each exposure is weighted according to the relative contribution of revenue or research and development spend to each characteristic.

Screening of the biotechnology investment universe through the lens of these three characteristics is estimated to reduce the acceptable investment universe based on sustainability by over 10%. Companies that are initially excluded on the basis that the do not align with the characteristics may change their profile over time and may be reconsidered for investment by the Investment Manager, reflecting a very dynamic investment environment.

From a broader ESG perspective, 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.

This process allows the Investment Manager to identify the sector leaders and laggards from an ESG perspective and allows the Investment Manager to engage with the company to gain a better understanding of its ESG related policies and procedures where it encounters a red flag (such as potential violations of norms-based standards).

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Where third party data or research is not available for a company, the Investment Manager will consider the best and worst performing companies in the relevant company's sector from an ESG perspective and will undertake a comparison of the relevant company with these peers using publicly available information and information gathered through engagements to assess it's ESG performance. The Investment Manager shall then apply a rating to the company based on this assessment.

The Investment Manager's ESG assessment is performed by multiple members of the investment team and is ultimately reviewed by the portfolio manager, who will sign off the score once they are comfortable with it.

Before opening a new position in the fund, the Investment Manager will have usually met with the management team on at least one occasion, conducted research into the company, the markets it serves, understood its financial wherewithal, and completed valuation assessments. Included in this process, and prior to management meetings, ESG data, if available from MSCI will have been reviewed alongside consideration to which of the 3 characteristics the company aligns with. The investment will be assigned a Polar Capital rating at the end of the first month in which the position is opened.

The Investment Manager does not, as part of its strategy, have an absolute focus on either ESG leaders and laggards, nor a minimum rating cut off point for investment requirements. Where the Investment Manager assigns a company with its lowest rating from an ESG perspective, the company may still be investable providing the Investment Manager understands the drivers of the rating and can see a pathway to improvement.

Description of how the Environmental or Social Characteristics are Monitored

The portfolio manager and the investment team reviews investee companies' alignment with the characteristics and the ESG scores of the Fund's investee companies on a monthly basis.

The Investment Manager believes this provides longitudinal performance statistics, and, therefore that a decline in standards, or a company left behind in an industry of rising standards can be identified earlier and hopefully in time to head off any serious decline in ESG performance i.e. when the Investment Manager is still able to take action and influence improvements through engagement.

At an Investment Manager level**,** ESG oversight is one element of the firm's investment oversight process. The Risk team monitors the Fund's ESG profile on a monthly basis and circulates monthly updates of the Fund's ESG profile accordingly to third party data to the portfolio manager and the rest of the investment team.

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The Fund is also reviewed in detail every four months in a meeting with the Chief Investment Officer and the Head of Sustainability. This review meeting involves an analysis of the Fund's ESG profile at a portfolio level using of third-party data.

The ESG profile of the Fund is assessed in these meetings both in an absolute sense and in a relative sense against the Fund's benchmark. and highlights ESG laggards, investee companies with negative ESG momentum, investee company performance against norms and controversies screening and portfolio climate risk.

Description of the data sources and how they are processed

The Investment Manager draws on multiple data sources which are crosschecked and triangulated with publicly available information.

The Investment Manager evaluates the alignment of companies within the biotechnology investment universe with the Fund's characteristics based on revenue, research and development and operation expenditure based on data sourced from company financial reports and third-party data sources.

Third party data and research is used as an initial input for evaluating a company's ESG profile and is then scrutinised against company website disclosures, corporate social responsibility and sustainability reports, semi-annual and annual Reports, regulatory filings and news sources.

Where the Investment Manager wishes to obtain further relevant information, either due to lack of availability or due a query it has over existing data, it will engage with the management teams of companies to further its understanding where necessary.

Description of the limitations of the methodology and data

The Investment Manager's approach to evaluating companies' adherence to and performance of the Fund's characteristics and environmental, social and governance standards, although rigorous, is predicated on data with inherent limitations.

These limitations arise as a result of inter alia; the quality and accuracy of the information available; timeliness of dissemination of information, especially for companies that have recently undergone an initial public offering; differing levels of acceptance and adherence of ESG standards globally; transparency levels of the companies reporting; consistency and standardisation of policies, measurements and targets; third party data and research providers' ability to identify the correct information and standardise their approach across investment universes; the size and maturity of the companies; companies' understanding of third party data providers' requirements and methodologies, and keeping pace the rapidly evolving regulatory and reporting requirements on a country by country basis.

These factors contribute to make direct comparisons on an absolute basis challenging. The absolute ESG score of an investee company at each monthly review is important for identifying laggards.

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However, a key element of the Investment Manager's assessment tool is the ability to track the trends of each key issue score, and benchmark this to the specific subsector. As a result, we can engage early to improve our understanding and where necessary encourage improved transparency and disclosure on material topics or course correction.

Sustainability is nascent and therefore many challenges persist in ultimately defining a global standard. Through our analysis, expertise, access to and relationships with our investments and broader investment community, we are able to gain superior insights to better mitigate these challenges.

Description of engagement policies used when this is part of the investment strategy

As an active investor the Investment Manager regularly engages with companies on a wide range of topics, including ESG factors and those other factors related to investment fundamentals.

Through its regular monitoring and screening actives, outlined above, the Investment Manager identifies any issues that it believes are material to a company's alignment with the characteristics and ESG profile.

Where the Investment Manager identifies a concern, for example, a controversy which materially discredits the brand and reputation of an organisation, a wilful act of negligence, repeated breaches of labour laws, major product recalls, concerns over the composition of the Board or shareholder register, then the appropriate level of escalation is determined.

The Investment Manager views the ultimate goal of engagement as to obtain sufficient information for an informed investment decision to be made on the company by the Investment Manager.

Consequently, the Investment Manager engages with a company through meetings/calls with the company's management or Chairperson, email communications with investor relations or company representatives on specific matters, company site visits, interactions with external industry experts or other industry participants and action through formal voting at any convened meeting.

Engagement will then be factored into our overall holistic investment process to ensure that the company can deliver returns at an acceptable level of risk.

The Investment Manager exercises its voting rights acting, in its belief, in best interests of shareholder/stakeholders. The Investment Manager may on occasion diverge from recommendations provided to it by proxy voting advisors.

Description of reference benchmark as an index

The Fund does not have a reference benchmark for the purpose of measuring the achievement of its characteristics.

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