Bridge Fund Management Limited

Integration of Sustainability Risks on Investment decision making process

Waverton Investment Fund plc

EU Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation ('SFDR') entered into force on 10 March 2021. The Regulation requires managers to better inform end-investors with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment, as applicable.

This document specifically addresses Article 3 of SFDR: "Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process."

Waverton Global Equity Fund

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The Investment Manager assesses ESG factors in the same way it would assess any other factor that could impact positively or negatively) a company's competitive advantage and ability to grow, and this process forms an integral part of both the initial due diligence on a company, and the ongoing monitoring of both existing and potential holdings. In addition to its own fundamental research, the Investment Manager uses information from leading specialist ESG research firms that provide risk-based ratings in relation to a target company's exposure to ESG risks and opportunities, as well as data on contentious product involvement and known controversies.

Reliance on these ESG risk ratings is open to subjective interpretation in the absence of a standard or enforceable methodology, and compounded by significant variation in the extent and quality of disclosure by companies on a global basis that frequently leads to inconsistent and inaccurate outcomes. These risk ratings are not the ultimate driver of a final investment decision, but are a useful additional source of information on which it is necessary to apply the knowledge, experience and judgement of the Investment Manager's research team. ESG risk ratings tend to adjust "after the event", so that the Investment Manager's direct and active engagement with company management and understanding of their business, is an essential part of making a fully informed investment decision.

The Investment Manager has a clear framework around stock selection which considers key criteria to ensure a thorough assessment of all relevant factors (financial and non-financial). It incorporates an assessment of a target company's exposure to ESG factors by virtue of its business model and the industry in which it operates, its management of any associated risks (or opportunities), and an estimation of the potential financial impact of such risks (or opportunities). It includes analysis of whether changing customer preferences and regulatory requirements around ESG standards will impact its competitive position and demand for its products or services, and whether the company has the management depth and corporate culture to sustain its competitive advantage over the long term. It also assesses whether management incentives are aligned with the achievement of strategic objectives that balance the needs of all its stakeholders and, if there is evidence of poor business ethics and behaviour in the past, what steps were taken to prevent future corporate governance failures. Ultimately, the Investment Manager considers the target company's valuation taking into account both the growth opportunity over the long term as well as the financial implications of any known or potential risks, including ESG risks. Where companies are exposed to greater ESG risks, the valuation of such companies is intended to reflect the known and/or potential financial impact, and the Investment Manager's due diligence also seeks to provide evidence that management is already actively working to reduce its exposure to such risks and moving towards best practice standards.

The Fund may be exposed to certain potential sustainability risks as, amongst others, reflected in the section of the Prospectus entitled "Risk Factors – Sustainability Risk". Notwithstanding the foregoing, sustainability risks will not be relevant to certain non-core activities undertaken by the Fund (for example, hedging). As of the date hereof, the portfolio of the Fund is comprised of different investments that may change over time as a result of specific investment decisions made and accordingly the identification and assessments of risks, including sustainability risks, will take place on an investment-by-investment basis as noted above. The Investment Manager's assessment is that integration of known sustainability risks in investment decisions, combined with a diversified portfolio appropriate for the Fund in light of its investment objective and strategy, should help mitigate the potential material negative impact of sustainability risks on the returns of the Fund, although there can be no assurance that all such risks will be mitigated in whole or in part, nor identified prior to the date the risk materialises.

Waverton Global Core Equity Fund

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Waverton Asia Pacific Fund

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Waverton UK Fund

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Waverton Global Strategic Bond Fund

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Waverton Multi-Asset Income Fund

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Waverton Multi-Asset Growth Fund

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Waverton Multi-Asset Balanced Fund

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Waverton Multi-Asset Cautious Fund

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Waverton Multi-Asset Defensive Fund

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The Investment Manager assesses ESG factors in the same way it would assess any other factor that could impact (positively or negatively) a company's competitive advantage and ability to grow, and this process forms an integral part of both the initial due diligence on an issuer, and the ongoing monitoring of both existing and potential holdings. In addition to its own fundamental research, the Investment Manager uses information from leading specialist ESG research firms that provide risk-based ratings in relation to a target company's exposure to ESG risks and opportunities, as well as data on contentious product involvement and known controversies.

Reliance on these ESG risk ratings is open to subjective interpretation in the absence of a standard or enforceable methodology, and compounded by significant variation in the extent and quality of disclosure by issuers on a global basis that frequently leads to inconsistent and inaccurate outcomes. These risk ratings are not the ultimate driver of a final investment decision, but are a useful additional source of information on which it is necessary to apply the knowledge, experience and judgement of the Investment Manager's research team. ESG risk ratings tend to adjust "after the event", so that the Investment Manager's direct and active engagement with company management and understanding of their business, is an essential part of helping to reduce ESG risks attached to that particular investment.

The Investment Manager has a clear framework around issuer selection which considers key criteria to ensure a thorough assessment of all relevant factors (financial and non-financial). It incorporates an assessment of a target company's exposure to ESG factors by virtue of its business model and the industry in which it operates, its management of any associated risks (or opportunities), and an estimation of the potential financial impact of such risks (or opportunities). It includes analysis of whether changing customer preferences and regulatory requirements around ESG standards will impact its competitive position and demand for its products or services, and whether the company has the management depth and corporate culture to sustain its competitive advantage over the long term. It also assesses whether management incentives are aligned with the achievement of strategic objectives that balance the needs of all its stakeholders and, if there is evidence of poor business ethics and behaviour in the past, what steps were taken to prevent future corporate governance failures. Ultimately, the Investment Manager considers the target issuer's valuation taking into account the liquidity and solvency of the issuer over the long term as well as the financial implications of any known or potential risks, including ESG risks. Where companies are exposed to greater ESG risks, the valuation of such companies is intended to reflect the known and/or potential financial impact, and the Investment Manager's due diligence also seeks to provide evidence that management is already actively working to reduce its exposure to such risks and moving towards best practice standards.

The Fund may be exposed to certain potential sustainability risks as, amongst others, reflected in the section of the Prospectus entitled "Risk Factors – Sustainability Risk". Notwithstanding the foregoing, sustainability risks will not be relevant to certain non-core activities undertaken by the Fund (for example, hedging). As of the date hereof, the portfolio of the Fund is comprised of different investments that may change over time as a result of specific investment decisions made and accordingly the identification and assessments of risks, including sustainability risks, will take place on an investment-by-investment basis as noted above. The Investment Manager's assessment is that integration of known sustainability risks in investment decisions, combined with a diversified portfolio appropriate for the Fund in light of its investment objective and strategy, should help mitigate the potential material negative impact of sustainability risks on the returns of the Fund, although there can be no assurance that all such risks will be mitigated in whole or in part, nor identified prior to the date the risk materialises.

Waverton Sterling Bond Fund

The Investment Manager has integrated sustainability risks, as a sub-set of risks generally that could cause an actual or potential material negative impact on the value of an investment, as part of its investment decision-making process for the Fund. If appropriate for an investment, the Investment Manager may conduct sustainability risk-related due diligence and/or take steps to mitigate sustainability risks and preserve the value of the investment. These risks are monitored on an ongoing basis as part of each Investment Manager's active portfolio management strategy.

The Investment Manager assesses ESG factors in the same way it would assess any other factor that could impact (positively or negatively) a company's competitive advantage and ability to grow, and this process forms an integral part of both the initial due diligence on an issuer, and the ongoing monitoring of both existing and potential holdings. In addition to its own fundamental research, the Investment Manager uses information from leading specialist ESG research firms that provide risk-based ratings in relation to a target company's exposure to ESG risks and opportunities, as well as data on contentious product involvement and known controversies.

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Waverton Strategic Equity Fund

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Waverton Real Assets Fund

The Investment Manager has integrated sustainability risks, as a sub-set of risks generally that could cause an actual or potential material negative impact on the value of an investment, as part of its investment decision-making process for the Fund. If appropriate for an investment, the Investment Manager may conduct sustainability risk-related due diligence and/or take steps to mitigate sustainability risks and preserve the value of the investment. These risks are monitored on an ongoing basis as part of each Investment Manager's active portfolio management strategy.

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Waverton European Capital Growth Fund

The Investment Manager has integrated sustainability risks, as a sub-set of risks generally that could cause an actual or potential material negative impact on the value of an investment, as part of its investment decision-making process for the Fund. If appropriate for an investment, the Investment Manager may conduct sustainability risk-related due diligence and/or take steps to mitigate sustainability risks and preserve the value of the investment. These risks are monitored on an ongoing basis as part of each Investment Manager's active portfolio management strategy.

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Waverton European Dividend Growth Fund

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