

Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors

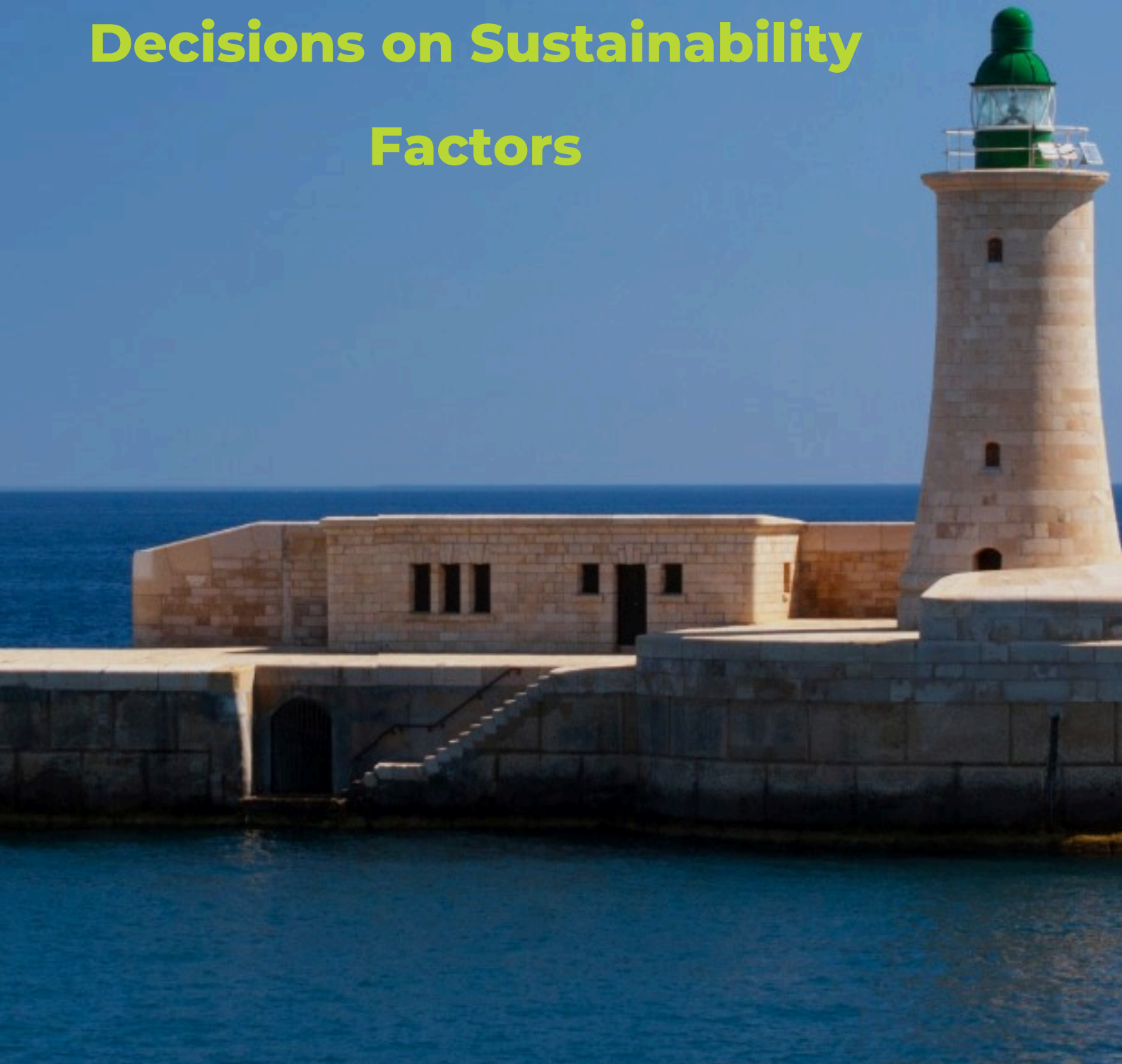


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Sustainable Finance Disclosure Regulation (SFDR)

Date: 21st November 2024

Financial Market Participant: Merrill SICAV plc (LEI 254900WI37GGVUSS6K65)

1. Summary

Merill SICAV plc (LEI 254900WI37GGVUSS6K65), a self-managed scheme (the 'Company'), considers principal adverse impacts (PAIs) of its investment decisions on sustainability factors. This statement provides a comprehensive overview of the methodologies, policies, and actions taken by the Company to identify, prioritize, and mitigate these impacts.

The principal adverse impact is considered by the Company as part of its investment due diligence process and procedures. At entity level, PAIs are considered by measuring and monitoring the aggregated negative impact of its investments on sustainability factors. This statement provides a description of the PAIs of the investment decisions adopted by the Company.

As a financial market participant, the Company is committed to fulfilling its obligations under Article 4 of the SFDR to consider the principal adverse impacts of investment decisions on sustainability factors.

The Company recognizes the material importance of adverse impacts on the environment, society, and governance (ESG) factors, and aims to integrate these considerations into its investment decisions in a transparent, systematic, and compliant manner.

Additionally, this statement further provides:

2. Information on the policies adopted to identify and prioritise PAIs;
3. The methodologies and data processes adopted by the Company;
4. The approach taken in engaging with investee companies and other measures taken;
5. Details on the international standards adopted by the Company;
6. Remedial actions and measures;
7. Historical Comparison.

This statement on PAIs will cover the period from 21st November 2024 to 31st December 2024

2. Policies to Identify and Prioritize Principal Adverse Impacts on Sustainability Factors

SFDR defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. PAIs are generally understood as the negative impact caused by an investment decision or investment advice on these factors.

The Company employs a robust set of policies to manage and mitigate PAIs, including:

- **Exclusionary Screens:** Utilized within the investment management system to highlight investments in companies involved in activities deemed harmful and in violations of UNGC principles.
- **ESG Scoring:** Provided by Clarity AI, ESG scores which include the consideration of all PAIs are integrated into the investment decision process, with pre-agreed thresholds set by the ESG Committee (for further information see below under 'Description of Principal Adverse Impacts of Investment Decisions on Sustainability Factors').
- **Further PAI Consideration:** Investments inside the investable universe are further considered on the basis of specific PAIs chosen by the Company. Those that rank above the 50th percentile and/or those that score higher than others in the same industry sector, are preferred (for further information see below under 'Description of Principal Adverse Impacts of Investment Decisions on Sustainability Factors').
- **Good Governance Practices:** Investee companies are assessed for sound management structures, employee relations, remuneration practices, and tax compliance.

Governance and Accountability

The Company is committed towards ensuring a good corporate governance in relation to its policies, procedures and processes. The governance structure overseeing sustainability practices at the Company includes:

- **ESG Committee:** Responsible for setting and reviewing sustainability policies and practices.
- **Investment Manager:** Integrates ESG factors into the investment process and ensures compliance with sustainability policies.
- **Compliance Team:** Monitors adherence to exclusionary screens and other binding elements of the investment strategy.

3. Data Sources and Methodologies

The Company uses data provided by Clarity AI for ESG research and scoring methodology, this data provider is further supplemented by desktop research from our analysts and engagement.

Description of Principal Adverse Impacts of Investment Decisions on Sustainability Factors

The Company makes use of an ESG score provided by Clarity AI platform, which incorporates all PAI metrics. The score provides an overarching mechanism to ensure that all principal adverse impacts are considered by the Company. This allows the Company to maintain a clear focus on promoting specific environmental and social characteristics.

All mandatory PAIs under Annex I of the SFDR RTS are considered within the ESG scoring model provided by Clarity AI platform. The Clarity AI platform also considers the two voluntary PAIs chosen by the Company due to their alignment with the objective of the funds, which are the water usage and recycling for companies and average human rights performance for sovereigns. Their consideration is also included in the overall ESG score of an investee company or issuer. These factors are evaluated holistically by the Clarity AI platform and the ESG score provided by the said platform on the basis of the aforementioned PAIs, influence the overall sustainability assessment of each investee company or issuer.

Whilst the Company does not directly monitor all mandatory PAIs, it ensures that these are adequately considered through the ESG scoring methodology referred to above.

The Company further focuses on indicators of adverse impacts on sustainability factors that are most material to its investment strategy and areas of expertise.

It has identified the following PAIs based on the methodologies provided by Clarity AI platform that are mainly aligned with the investment strategy of its funds:

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact [year n]	Explanation	Actions taken
Greenhouse gas emissions	GHG emissions	Total GHG emissions		Company's carbon emissions (Scope 1 + 2 + 3) multiplied by the % of the company owned (calculated based on the enterprise value). It is considered a 1M Euro invested in the company for the calculation of this PAI	Exclusionary screens
Water	Emissions to water	Water usage		Average amount of water consumed and reclaimed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	Exclusionary screens
		Water recycling		Weighted average percentage of water recycled and reused by investee companies	Exclusionary screens

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises		<p>At company level: Has the company been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises?</p> <p>At portfolio level: Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p> <p>Notes: 1. A "yes" value at company level indicates that such company has been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. 2. The aggregation of this PAI is carried out by the sum of "yes" values.</p>	Exclusionary screens
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INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Human Rights	HUMAN_RIGHTS_SOVE REIGNS	Average human rights performance		Measure of the degree of respect for workers' rights using five domains: civil liberties, the right to establish or join unions, trade union activities, the right to collective bargaining and the right to strike.	Exclusionary screens
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These impacts are measured using indicators such as total carbon intensity, water usage, water recycling, and overall UNGC compliance status.

4. Engagement Policies and Other Measures

The Company undertakes a range of engagement activities with both investors and investee companies. This engagement serves to promote better sustainability practices and mitigate PAIs. Additionally, the Company aims to influence and encourage improved ESG practices and enhance sustainable long-term financial performance. This engagement includes both direct dialogues as well as proxy voting.

In addition to the above, the following are additional engagements:

- **Voting:** the Company exercises its voting rights to influence corporate behaviour towards improved ESG practices.
- **Exclusion:** Companies failing to meet specific ESG criteria are excluded from the investment universe.
- **ESG Factors Integration:** ESG factors are integrated into the investment analysis and decision-making process.
- **Controversy Monitoring:** Continuous monitoring of investee companies for involvement in controversies, with appropriate actions taken when necessary.

5. Reference to International Standards

The Company aligns its sustainability practices with international standards, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. It also adheres to the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Additionally, the Company aims to invest in companies that comply also with the international conventions and norms that are adhered to by the Company.

6. Remedial Actions and Measures

To address identified adverse impacts, Merill has implemented several measures, including:

- **Engagement with Investee Companies:** Encouraging better ESG practices and transparency.
- **Policy Adjustments:** Regular review and updates of sustainability policies to align with best practices.
- **Enhanced Monitoring:** Strengthened monitoring of ESG performance and controversies.

7. Historical Comparison

The first reporting period will be 30th June 2025 date, being the first reporting period no comparison will be performed with the previous year.