

Unicorn Asset Management

*UK Ethical Income Fund Responsible Investing
Policy*

January 2025

Unicorn is an active investment manager established in 2000. Our goal is to provide long-term investment returns for our clients. We believe a committed approach to sustainability from management teams is a leading indicator of long-term value creation within investee companies. We are dedicated to managing our business in a responsible way which can have a positive impact for our stakeholders, staff, and the world in which we live.

Unicorn UK Ethical Income Fund Responsible Investing Policy

Investment Objective

The Unicorn UK Ethical Income Fund aims to provide an income by investing in UK companies which meet the ACD's ethical guidelines. For this purpose, UK companies are defined as those which are incorporated or domiciled in the UK or have a significant part of their operations in the UK. Selection of such ethical equities will be undertaken on the basis of thorough company analysis, with ethical and socially responsible criteria reviewed prior to, at the point of investment and quarterly thereafter.

Ethical Strategy

The Unicorn Ethical Income Fund builds upon the Core Unicorn Investment Process by implementing a strict exclusionary screening for companies which generate strategic revenue from the excluded business areas as per the Fund's criteria.

ESG Policy

Unicorn believes that a company's commitment to responsible and sustainable operations and business practices serves as a key indicator of its potential for long-term value creation and preservation. The Fund applies a specific sustainability-related evaluation and assessment of stocks selection, which is integrated throughout the investment process. This comprehensive approach involves in-depth analysis and active engagement to identify and mitigate downside risks and minimise potential financial vulnerabilities within a business. Furthermore, each stage of this evaluation and engagement process is thoroughly documented and can be made available upon request, ensuring transparency and accountability in investment practices.

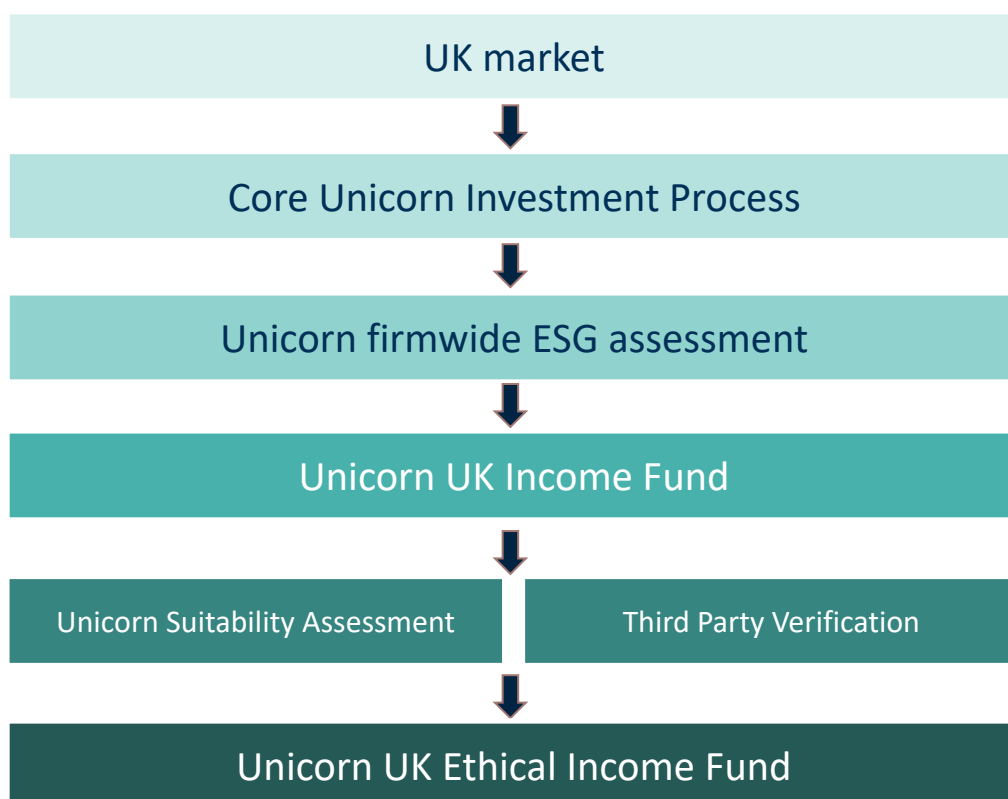
The evaluation process involves rigorous quantitative and qualitative assessments of both existing and prospective investments, considering all financially material ESG-related factors. A sector-specific analysis is conducted using frameworks such as the Sustainability Accounting Standards Board (SASB) to identify key performance indicators. Companies are assessed for harmful characteristics, such as societal harm, corruption, or ESG controversies, and those lacking sustainable business practices are excluded from consideration. Unicorn prioritises companies with strong governance frameworks that demonstrate accountability, transparency, and stakeholder engagement. Investments are also aligned with broader social themes, such as equity, community engagement, health and education, and environmental priorities, including clean energy, resource efficiency, and environmental services.

Unicorn’s engagement strategy includes regular dialogue with senior management, site visits, and active voting on all resolutions. These efforts facilitate meaningful discussions on strategic, operational, and governance matters, including ESG issues. Unicorn leverages its privileged corporate access to encourage companies to enhance disclosure and align with best practices. Site visits further validate ESG commitments, while voting rights are used to challenge management if decisions conflict with responsible investment standards.

By identifying these risks early on, investors can mitigate potential losses, improve portfolio resilience, and avoid exposure to companies with unsustainable practices. Integrating ESG evaluation helps ensure that investments are not only aligned with long-term sustainability goals but are also safeguarded against unforeseen financial and operational challenges while aligning them with long-term sustainability and value creation goals. For further information please email esg@unicornam.com

Ethical Income Investment Process

The process applies an additional Unicorn Suitability Assessment to all potential investments. The results of these assessments are then verified by an independent third-party check provided by Impact Cubed.



Unicorn Suitability Assessment

The Unicorn Suitability Assessment builds on the Core Unicorn Investment Process and is designed to ensure that when it comes to excluded activities, companies must adhere to the spirit of the law, not just the letter of the law. The assessment removes companies which generate strategic revenues from the excluded business areas as per the Fund’s ethical criteria. An additional level of prudence is applied and companies which derive revenues through involvement to the excluded business practises, regardless of whether the exposure is direct or indirect, are also excluded. This additional level of prudence is afforded by Unicorn’s detailed understanding of the underlying business exposures and direct access to senior level management enables accurate and prompt assessment. *Strategic revenue* can be defined as any business income, direct or indirect, that contributes to or advances precluded activities or demonstrably supports any of these business areas. Illustrative examples include:

- *Payments platform that facilitates gambling company payment transactions*
- *Logistics businesses who have customers selling cigarettes as part of their supply chain distribution*
- *Soft drink wholesalers that sell pre-mixed cocktails as part of their product range*

Ethical Criteria

In addition to the Firm level consideration of broader ESG issues (*further details can be found in the Unicorn Asset Management Sustainability and Stewardship Report, Section II: Process*), the Fund applies a baseline exclusions criterion: aiming for zero investment exposure, with a maximum 5% strategic revenue exposure threshold in place for the following business areas:

Business Involvement	
Adult entertainment	<i>Any commercial establishment, business or service, or portion thereof, which offers sexually oriented material, devices, paraphernalia or specific sexual activities, services, performances or any combination thereof, or in any other form, whether printed, filmed, recorded or live</i>
Alcohol	<i>Sale and/or service of any liquor, wine, beer and other alcoholic beverages</i>
Animal welfare	<i>Companies involved in animal testing, factory farming, exhibiting animals, breeding animals, and ownership of or by a company in these categories</i>
Defence & weapons	<i>Research and development, as well as design, production, delivery, and maintenance of military systems, subsystems, and components or parts</i>
Genetically modified organism (GMO)	<i>Any organism whose genetic material has been altered using genetic engineering techniques</i>
Gambling	<i>Performance of activities consisting in execution of gambling for the purpose of earning profit; such activities include, without limitation, the receipt of bets and deposits for gambling; payouts of winnings</i>
Tobacco manufacture	<i>Manufacture and sale of cigarettes, hand-rolled tobacco, cigars and other forms of tobacco</i>

Pesticides	<i>A substance used for destroying insects or other organisms harmful to cultivated plants or to animals</i>
Fossil fuel extraction & production	<i>Companies that extract fossil fuels such as coal, gas, oil and tar sands</i>
Oil sands extraction	<i>Process of removing oil sand from the ground and extracting bitumen from it. This bitumen is later upgraded into a synthetic crude oil</i>
Palm oil	<i>Oil is used in food manufacturing, in beauty products, and as biofuel</i>
Thermal coal	<i>Coal that is used to provide heat energy in combustion primarily for electricity generation</i>

Changes to Ethical Criteria

(over the last twelve months ended 31st December 2024)

No material changes over the last twelve months.

Third Party Verification

Unicorn leverages an external, third-party provider, Impact Cubed, to conduct quarterly screenings of our ethical fund. This process verifies that revenue exposure thresholds for precluded business activities are maintained for each individual holding within the fund, ensuring data integrity and accuracy. In the event of any deviations identified since the prior quarter, an internal review is promptly initiated to determine the cause and potential ramifications. If necessary, divestment of the holding will be undertaken within thirty days of receiving this information. Independent of the quarterly review, the investment team seeks any additional due diligence via the platform whenever appropriate, especially prior to the implementation of any new holding.

Responsibility and Oversight

Unicorn’s approach to responsible investing is fully embraced by its Board of Directors, which act as the Firm’s governing body. The ethical screening process is fully integrated into the Fund’s investment process and the application of and adherence to the Ethical policy is overseen by the Firm’s Head of Sustainability and wider ESG team who report to Unicorn’s ESG Committee. All staff members understand and are supportive of Unicorn’s commitment to responsible investing.