

# Sustainability-Related Disclosures (the "SRD") for CRM U.S. Small Cap Opportunities UCITS

This SRD is accurate as at: 1 January 2023

This SRD has been prepared by Cramer Rosenthal McGlynn LLC (the "Investment Manager") and contains information relating specifically to CRM U.S. Small Cap Opportunities UCITS (the "**Fund**"), a sub-fund of Cramer Rosenthal McGlynn UCITS plc (the "**Company**") an investment company with variable capital structured as an umbrella fund with segregated liability between sub-funds and incorporated pursuant to the Companies Act 2014 with limited liability in Ireland and authorised as a UCITS under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended (the "**UCITS Regulations**") by the Central Bank of Ireland (the "**Central Bank**"). KBA Consulting Management Limited (the "Manager") is the UCITS management company for the Fund.

Pursuant to the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088) as amended ("**SFDR**"), the Fund meets the criteria to qualify as an "Article 8 Financial Product", that is a financial product which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics and provided that the companies that the financial product invests in follow good governance practices.

This SRD has been prepared for the purpose of meeting the financial product level website disclosure requirements contained in SFDR applicable to an Article 8 Financial Product.

**For further details on the Fund and the Company, please refer to currently issued version of the Company's prospectus and the latest annual report which may be obtained free of charge on request.**

If relevant, more sustainability related information may be found on the Fund at [www.CRMUCITS.com](http://www.CRMUCITS.com). Details can also be found on this website in relation to the Investment Manager's sustainability related disclosures and, if relevant, its adverse sustainability impact statement.

## 1. Summary

The Fund is categorised as an Article 8 financial product for the purposes of SFDR, meaning it promotes environmental and/or social characteristics. The Fund does not have as its objective sustainable investment.

Cramer Rosenthal McGlynn LLC (the "**Investment Manager**") seeks to promote various ESG factors (hereinafter "**ESG Factors**") by incorporating them into the overall investment management process, as detailed in its ESG policy (the "**ESG Policy**"), as detailed below.

As part of the investment process, the Investment Manager considers a variety of sustainability indicators to measure the environmental and/or social characteristics promoted by the Fund.

The Fund, under normal circumstances, invests its assets in equity and equity related securities of U.S. and non-U.S. companies that are publicly traded on a U.S. securities market.

Such equity related securities will include preferred stocks, convertible securities (including preferred stocks that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula). The Fund shall be actively managed. The Investment Manager utilizes a qualitative, fundamental bottom-up research process. The Investment Manager follows a bottom-up approach to stock selection by focusing on a specific company rather than the industry in which that company operates or on the economy as a whole.

The Fund aims to generally hold a minimum of 60% investments that are aligned with the environmental or social characteristics promoted by the Fund. **The Fund does not commit to holding any particular minimum or maximum percentages of sustainable investments.**

An index has not been designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

## **2. No Sustainable Investment Objective**

The Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

### **3. Environmental or Social Characteristics promoted by the Fund**

The Investment Manager will look to a variety of ESG Factors when assessing suitability of an investee company and will determine whether the company is suitable for investment:

- Environmental characteristics – the Investment Manager will consider the manner in which the investee company manages its environmental resources, including energy, water, waste and hazardous material when assessing the overall environmental impact of a potential investee company. Environmental impacts from energy and water consumption or carbon emissions and other waste streams can create negative externalities which may present material risks to an investment, as they could impair the company's ability to operate sustainably or may materially change the company's intrinsic value. Companies pursuing strategies to decrease resource consumption such as water, energy or other natural resources, or reduce/ mitigate environmentally harmful by-products or waste streams such as carbon or hazardous waste may enhance the possibility for inclusion of such a company within the Fund's portfolio;
- Social characteristics - the Investment Manager may consider a variety of social characteristics, including but not limited to the manner in which the investee company manages its data security and customer privacy, compensation and benefits scheme, labor relations and product quality and safety when assessing the societal impact of a company, among other factors;
- Governance – the Investment Manager may consider whether the investee company follows good governance practices and as part of its assessment may consider the board composition, diversity, business ethics and corporate behaviour, compensation arrangements and alignment of same with good governance practices and overall supply chain management.

The Investment Manager believes that ESG Factors can materially impact a company's valuation, financial performance, and related risk/return and as such it may consider the above, in addition to other ESG Factors, when determining whether a potential investment is aligned with the overall objective of the Fund.

The Investment Manager may expand upon these ESG Factors from time to time.

The ESG Factors are considered by all analysts and portfolio managers as part of the bottom-up research and investment selection process. The Investment Manager's investment analysts evaluate, document, and integrate the relevant ESG Factors into their due diligence and investment theses of each potential investment (as described above). As part of this process, analysts and portfolio managers review certain company and industry specific ESG information and data, including both publicly available information as well as third party data, including but not restricted to certain ESG statistics and scoring metrics for investee companies across each financial industry (i.e. MSCI, Bloomberg, ISS, etc.) and assess potential risks or opportunities.

#### **4. Investment Strategy**

The Fund, under normal circumstances, invests its assets in equity and equity related securities of U.S. and non-U.S. companies that are publicly traded on a U.S. securities market.

Such equity related securities will include preferred stocks, convertible securities (including preferred stocks that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula).

The Fund shall be actively managed.

The Investment Manager utilizes a qualitative, fundamental bottom-up research process.

The Investment Manager follows a bottom-up approach to stock selection by focusing on a specific company rather than the industry in which that company operates or on the economy as a whole.

#### **Good Governance**

Governance factors that the Investment Manager tracks may include: (i) board composition; (ii) diversity; (iii) business ethics and corporate behaviour; (iv) compensation arrangements; and (v) alignment of same with good governance practices and overall supply chain management.

Engagement with management is an important component of the Fund's investment process, and the Investment Manager may engage directly with management teams of companies through its ESG engagement approach. This approach is focused on direct engagement with company management to understand risks, opportunities and assess good corporate governance practices of investee companies, among other things. The Investment Manager views this direct engagement with companies as an important part of its investment process.

While the prioritisation assessment is ongoing, the timing of the engagement may be reactionary in certain cases, opportunistic in cases of industry events or pre-planned meetings, or proactive where time allows and without undue restrictions such as during quiet periods or M&A events that may prevent outreach actions. Ultimately, the Investment Manager aims to prioritise engagement that is expected, based on the Investment Manager's subjective analysis, to have a high impact on the protection of and improvement to the value of the Fund, be it through the advancement of actionable disclosure, understanding of risks and risk management at a company, or through influence and action to mitigate risks (including sustainability risks) and take advantage of investment opportunities, among other factors.

## 5. Proportion of Investments

The Fund aims to generally hold a minimum of 60% investments that are aligned with the environmental or social characteristics promoted by the Fund. **The Fund does not commit to holding any particular minimum or maximum percentages of sustainable investments.** The Fund aims to generally hold a maximum of 40% investments that are not aligned with the environmental or social characteristics promoted by the Fund and are not sustainable investments, and which fall into the “Other” section of the Fund (further details of which are set out below).

Please note that while the Investment Manager aims to achieve the minimum proportion asset allocation targets outlined above, these figures may fluctuate during the investment period and ultimately, as with any investment target, may not be attained.

The exact asset allocation of this Fund will be reported in the Fund's mandatory periodic report SFDR template, for the relevant reference period. This will be calculated based on the average of the four quarter ends.

The Investment Manager has calculated the proportion of environmentally and/or socially aligned investments in the Fund by reference to the proportion of companies in the Fund: i) that hold a Rating or a third party equivalent ESG rating, which meets the Ratings criteria outlined in "*What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*" as detailed further within the SFDR Annex, that is used as part of the portfolio construction and investment management process of the Fund; and/or ii) with whom the Investment Manager has engaged directly. This calculation may rely on incomplete or inaccurate company or third party data.

### "Other" Investments

“Other” investments include the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The “Other” section in the Fund is held for a number of reasons that the Investment Manager thinks will be beneficial to the Fund, such as, but not limited to, achieving risk management, and/or to ensure adequate liquidity, hedging and collateral cover.

As noted above, the Fund will be invested in compliance with the ESG negative screening process, on a continuous basis. This ensures that investments made by the Fund seek to align with international environmental and social safeguards such as the PRI.

The Investment Manager believes that these policies assist in the prevention of investment in companies that most egregiously violate environmental and/or social minimum standards and assists the Fund in promoting its environmental and social characteristics.

The above steps ensure that environmental and social considerations are in place.

## **6. Monitoring of Environmental or Social Characteristics**

The Investment Manager considers a variety of sustainability indicators to measure the environmental and/or social characteristics promoted by the Fund, including:

- (A) Negative screening; and
- (B) MSCI ESG Ratings System

Effective January 1, 2023, the Fund will also utilize certain third party screening services pertaining to the consideration of Principal Adverse Impact ("**PAI**") indicators. Reporting on consideration of PAIs will be available in an annex to the annual report of the Fund.

The investment analysts and portfolio managers of the Investment Manager meet with senior management of the companies in which the Investment Manager invests on behalf of its clients, including the Funds. When engaging with management teams, the Investment Manager's focus is on making financial judgements based on the risks and rewards of investing in their respective companies. As part of this analysis, the Investment Manager analyzes, monitors, and integrates ESG criteria that may have a material impact on a company. If the Investment Manager believes a company exhibits ESG factors that create potential financial or other material risks, investment analysts monitor these issues and evaluate company risk exposure, disclosures, and standards of conduct. The Investment Manager's investment analysts also will discuss concerns directly with company management.

The Investment Manager monitors sectors that have higher ESG related risks, for example, environmental risks in the energy, industrials, materials, and utilities sectors, and social risks in consumer discretionary, consumer staples, energy, materials, and industrial sectors. The Investment Manager will not invest in companies that produce firearms, cluster munitions, landmines, pornography, or tobacco products, or operate private prisons, as detailed further under *Section 7: Methodologies for environmental or social characteristics*.

The Investment Manager supplements its internal investment research process with external ESG research tools that provide the Investment Manager with detailed research and rating on companies globally. The Investment Manager has engaged MSCI ESG Research, among others, to provide ESG data. The Investment Manager utilizes MSCI's ESG data for ratings, research, and controversy alerts, which is used, among other things, to analyze each Fund's portfolio holdings to determine whether such companies appear aligned with the environmental and/or social characteristics promoted by the Fund, as detailed further under *Section 7: Methodologies for environmental or social characteristics*.

## **7. Methodologies for environmental or social characteristics**

As part of the investment process, the Investment Manager considers a variety of sustainability indicators to measure the environmental or social characteristics promoted by the Fund. These are listed below:

### *a) Negative screening*

The Fund seeks to promote ESG Factors by implementing specific negative screening of companies linked to certain industries or controversial conduct. The Fund seeks to avoid investment in companies that have been identified by the Investment Manager as sufficiently involved in the operation of private prisons or the production of (i) firearms; (ii) cluster munitions; (iii) landmines; (iv) pornography; or (v) tobacco products.

### *b) MSCI ESG Ratings System*

In addition to integrating the aforementioned screening and exclusion policies into the portfolio construction process, the Investment Manager promotes ESG Factors by utilising certain third party ESG metrics and data (i.e., the MSCI ESG Ratings system) to identify qualitative risks and opportunities of investee companies in its overall assessment. An MSCI ESG Rating ("**Rating**") is designed to measure a company's resilience to long term, material environmental, social and governance (ESG) risks. MSCI uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC). Investments with a Rating of BB or higher shall be deemed to align with the environmental and/or social characteristics promoted by the Fund.

A low Rating (B, CCC, or any companies which are missing a rating or such data or information is not available) may be indicated when a company appears to have a poor record on the ESG Factors, as described above, and/or exhibits a lack of regard for the sustainability and societal impact of climate change, corporate governance or diversity. Companies that have a low Rating typically are subject to the Investment Manager's engagement efforts with the investee company which are anticipated to result in a more positive outlook regarding the Rating, or form a conclusion that the Investment Manager believes the Rating is incorrect. Where the Investment Manager believes a Rating is incorrect based on the research findings of its analysts, the Investment Manager may engage with the investee company to encourage it to provide better disclosure or information designed to correct the ESG Factors leading to the incorrect score.

### *c) Consideration of PAIs*

Effective January 1, 2023, the Investment Manager will utilize certain third party screening services pertaining to the consideration of PAI indicators. This includes, but is not limited to, consideration of principal adverse impacts on sustainability factors by calculating and monitoring, on a quarterly basis, the impact of such PAI indicators from Table 1 and additional indicators from Table 2 and 3 of Annex I of the SFDR Delegated Act. These indicators are disclosed on an annual basis per 30 June of each year in the annual report.

For investments in investee companies, the considered PAI indicators from Table 1 cover the categories: (i) GHG emissions; (ii) biodiversity; (iii) water; (iv) waste; and (v) social and employee matters. The additional indicators from Table 2 and 3 which are taken into consideration are: (i) investments in companies without water management policies (Table 2, number 7); and investments in companies without workplace accident prevention policies (Table 3, number 1). In case of investments in real estate assets, the considered PAI indicators for those investments cover the categories fossil fuels, energy efficiency and greenhouse gas emissions. The calculated PAIs are available in the annual report.



## **8. Data Sources and Processing**

The Investment Manager uses certain proprietary and third-party ESG research, including but not limited to certain third-party systems, which collect data from different external providers such as MSCI and Refinitiv, among others. The Investment Manager reviews such third party ESG research and data, and internal research, to perform the methodologies and monitoring described above.

In certain instances, ESG data or information may not be available to the Investment Manager due to limitations or unavailability of such information by the third-party service provider. The Investment Manager shall consider the availability of information in its methodologies and monitoring of ESG considerations.

## **9. Limitations to Methodologies and Data**

The Investment Manager's review, analysis and consideration of certain ESG Factors as detailed above, including but not limited to MSCI ESG Ratings and related data and certain PAIs which are taken into consideration by the Investment Manager, are subject to there being adequate, reliable and verifiable data coverage for such data and/or indicators, and may evolve with improving data quality and availability.

Where such data is not available the relevant MSCI ESG Ratings, PAIs, or other data will not be considered until the data becomes available. The Investment Manager will keep the list of ESG Factors and PAIs, which the Investment Manager considers under active review, as and when data availability and quality improves.

## **10. Due Diligence**

The Investment Manager performs certain due diligence with regard to implementation of its ESG Policy and ESG Review, as detailed further above. This includes, but is not limited to: (i) monitoring ESG third party ratings and data providers on a periodic basis; (ii) reviewing such ESG ratings and data internally and incorporating such ratings and data into the investment cases for each portfolio holding on a periodic basis, as necessary; (iii) engagement with company management, including on certain ESG issues; (iv) reviewing and implementing the negative screening of companies, as detailed above; and (v) considering various other ESG risks and information of portfolio companies, including but not limited to ESG proxy voting matters.

## **11. Engagement Policies**

The Investment Manager has adopted and implemented its ESG Policy and Proxy Voting Policy, which is available at <https://www.crmlc.com/our-firm/esg/>.

In addition to the ESG Policy detailed above, the Investment Manager also engages with management of portfolio companies on certain ESG matters, including through implementation of the Investment Manager's Proxy Voting Policy. This includes, but is not limited to, consideration of certain ESG issues. As a general matter, the Investment Manager shall vote on a case-by-case basis after considering such ESG factors. While a wide variety of factors are considered, the primary focus is on how any such ESG proposals will enhance the economic value of the company and the impact to shareholders and clients of the Investment Manager. Additional information pertaining to the Investment Manager's engagement efforts can be found in the Fund's SFDR Annex.

## **12. Designated Reference Benchmark**

A reference benchmark has not been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

### **13. Further Information**

This SRD is issued for information purposes only in accordance with the requirements of SFDR. It is not intended as investment advice and is not an offer or a recommendation about managing or investing assets.

The information contained herein is current as of the date of issuance and is subject to change without notice.

Past performance is not a guarantee or a reliable indicator of future results and an investment could lose value. All investments involve risk, including the possible loss of capital.

The Manager's registered office at 35 Shelbourne Road, 4<sup>th</sup> Floor, Ballsbridge, Dublin D04 A4E0, Ireland.

The Manager is part of the Waystone Group and is authorised in Ireland and regulated by the Central Bank of Ireland.

To be published on the website of the Investment Manager.