

Hipgnosis Songs Fund Limited
SFDR Pre-Contractual Disclosure

Background

The EU Sustainable Finance Disclosure Regulation (“SFDR”) applies to Hipgnosis Songs Fund Limited (the “Company”) in its capacity as a self-managed investment trust. The Company has therefore made the following sustainability-related disclosures in accordance with Articles 6(1) of SFDR:

The Board of Directors reserves the right to adopt such arrangement as it deems necessary or desirable to ensure that the Company complies with any applicable requirements of SFDR and any other applicable legislation or regulations related to the EU Action Plan for Financing Sustainable Growth (the “EU Action Plan”). Once adopted, this statement and/or the Company’s website may be updated to include further disclosures as required.

The Company is not considered to be an ESG financial product since it does not promote and does not maximize portfolio alignment with Sustainability Factors (as defined in SFDR). However, the Company is exposed to sustainability risks due to the nature of the securities in which it invests.

Sustainability Risks

1. How Sustainability Risks are integrated into the investment decisions of the Portfolio Manager.

Sustainability Risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risks and/or opportunities for maximizing the long-term risk-adjusted returns. The Investment Adviser considers sustainability risks as part of its broader analysis of potential investments and the management of the current portfolio. The factors considered will vary depending on the Catalogue in question, but the Company seeks to invest in Songs that have a positive social purpose.

2. The assessment and likely impacts of Sustainability Risks on the returns of the Company.

Due to the nature of the Company’s investment strategy and types of assets it holds, the Company and the returns generated by its investments are exposed to varied Sustainability Risks, most of which are deemed minimal, which include, but are not limited to:

- brand and reputational issues (e.g. the behaviour of the underlying Songwriter and, by extension, the current performing artists; cyber security breaches);
- shift in cultural mores
- changes to regulation (e.g. changes in entitlement or distribution to royalty rights);
- environmental threats (e.g. a ban on producing music in a physical format);
- physical threats (e.g. climate change or a pandemic); and
- work practices of our suppliers (e.g. observation of health, safety and human rights provisions).

A Sustainability Risk event may arise and impact a specific investment or may have a broader impact on an economic sector, geographical or political region or country which may impact the Portfolio of the Fund in its entirety. Should some of these Risks crystallise, for example the ongoing COVID-19 pandemic, experience has shown that there are some potential upsides, in this case due to the growth in Streaming. In the words of IFPI Chief Executive Frances Moore: *“As the world contends with the COVID-19 pandemic, we are reminded of the enduring power of music to console, heal and lift our spirits.”*

Last updated: 14 June 2021