

We believe that Environmental, Social and Governance (ESG) factors are relevant in deriving alpha from the emerging markets asset class. We adopt this view on the basis that certain ESG factors can be directly linked to the profitability and performance of companies over the long term.

Esemplia is a signatory to the UN Principles for Responsible Investing (UNPRI). The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to our clients as well as better align our investment activities with the broader interests of society.

Our approach to ESG pays primary consideration to:

- Our fiduciary responsibility to our clients; and
- The developmental stage of the markets and companies in which we invest.

Our goal as an investment manager is to act prudently in the best interests of clients for whom we manage monies and for the exclusive purpose of maintaining or increasing the relative value of client's accounts. In this regard, we take into consideration all relevant factors which could affect the value of potential investments, including those falling into the categories of environmental, social and governance areas.

We believe that any ESG policy needs to take account of the markets and companies to which it applies. In this respect, in the context of the global emerging markets equities, while the broad principles of ESG still apply, some consideration must be given to the developing nature of the economies and companies which are included as part of the investable universe.

As a general rule the starting point on environmental and social issues (and in some cases governance issues) is, we believe, different for the emerging markets when compared to developed markets. In carrying out our analysis we therefore grant some leeway in respect to the analysis undertaken to the difference in these factors (in order to 'normalise' them). By way of example, the cost of carbon capture is significantly lower in emerging markets due to higher carbon dioxide allowances. As a result, any modelling we undertake (in respect to companies which would be affected by the cost of carbon capture) assumes a lower cost over a longer period of time. This methodology would not apply in the context of a company in the developed markets as it would not be privy to the same concessions.

Equally, ownership structures of companies listed (or which have their primary operations) in the emerging markets can raise questions/issues in relation to governance. In this respect, when assessing the governance structure of emerging markets companies, we pay consideration to the company's history and commitment to good corporate governance, as well as the degree of alignment which exists between major shareholder interests and those of minorities.

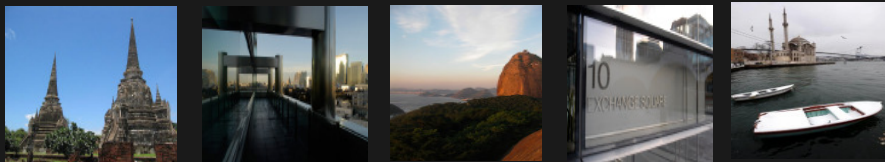
#### Incorporating ESG into our Investment Process

Our investment approach is one which combines the assessment of stock specific factors with the assessment of macro (country) factors.

ESG factors and specifically corporate governance factors are formally considered for all companies in our covered universe. In addition, in certain situations, such as in the context of key environmental or social issues affecting particular countries or sectors within the emerging markets (for instance in the energy sector), where we believe an ESG factor will have the potential to affect returns at the individual company level, we will undertake additional research into the event and seek to quantify the extent of potential impact.

#### Corporate Governance

- Corporate governance, as an ESG factor is one of the most important areas we consider when carrying out our alpha ranking and stock selection process. Our assessment, supported by empirical evidence, is that companies with good corporate governance trade at superior valuations to their peers. In all cases we seek to assess companies on the basis of ESG factors by carrying out thorough analysis in the areas of:
- Company transactions: Including mergers and acquisitions, related party business transactions
- The structure and operation of Boards: including an analysis of how the decision making process is undertaken and the dispersion of decision makers (i.e. the balance of power amongst the Board)
- Reporting transparency, information disclosure, access to management and alignment of management and strategic shareholder interests with minorities.
- Country/regional frameworks: the degree to which a common framework and minimum standards have been set and are consistently applied against all businesses within a country or region



## Engagement

We view engagement with companies as being integral and a vital component of our research based philosophy and process. To this end, we engage with company management in relation to governance issues on an ad-hoc basis, typically when issues arise but occasionally in a proactive manner when market intelligence alerts us to potential developments on governance issues.

## Voting

We have in place strict proxy voting policy. In voting proxies we are guided by general fiduciary principles. Our goal is to act prudently and in the best interests of our clients at all times.

When voting proxies we consider all relevant factors that could affect the value of the investment and will vote in the manner which we believe is consistent with efforts to benefit and protect or maximize shareholder value.

For Further Information please contact a member of Esemplia's Client Management team.

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