

Responsible Investment Policy

1. Introduction

We invest in global equities for dividend and capital growth with an investment horizon of five years or more.

The power of rising dividends and business reinvestment has been shown to provide good long-term returns.

While Dundas Global Investors (Dundas) doesn't apply ESG or sustainability labels to its funds, our investment process addresses companies' policies and practice across the spectrum of wider social responsibility, including, amongst others, net zero, governance, and supply chains.

We are committed to Net Zero for the portfolios we manage and for our business operations by 2050. Our pathway to Net Zero is discussed in more detail in our Task force for Climate-related Financial Disclosure (TCFD) report, first published in 2024.

2. Our objective

The majority of the assets we manage represent pension funds and permanent charities / endowments whose liabilities continue far into the future.

Our first goal is to invest in companies able to meet that challenge.

That includes protecting our clients' best interests by advocating for sustainable practices in the companies we own and committing to support resilient financial systems. To achieve this goal, we believe company leaders must grow their businesses with all stakeholders – customers, employees, suppliers, local communities, regulators, and shareholders – in mind. Bad businesses that let down their stakeholders don't work.

With widespread adoption of the Paris Agreement and net zero targets, credible plans to manage the carbon transition are a hallmark of well managed businesses.

3. Regulation and Sustainability labelling

Regulators in the financial services industry around the world are seeking to limit, codify and categorise the use of sustainability vocabulary in the promotion and description of fund and asset management services. Regulators are pushing fund managers to make clear, evidence-supported declarations about their investment aims.

Dundas wholeheartedly supports these initiatives.

Dundas is based in the UK, and our principal regulator is the UK Financial Conduct Authority. We uphold standards issued by equivalent Australian and US bodies. The FCA offers an investment manager the option of (a) categorising itself with one of four FCA-defined sustainability labels or (b) declaring that it operates without one.

Dundas has decided for the present to operate without a label.

Dundas makes investment decisions in large part based upon audited annual reports which in recent years have expanded to address wider sustainability matters. Disclosure on CO₂ emissions and sustainability has improved but remains incomplete, inconsistent, and heavily reliant on estimation. In response new IFRS Sustainability accounting standards were issued in 2023 (now out for adoption across the world outside the USA, where GAAP standards are moving in the same direction) effective 1 January 2024. Dundas welcomes the new standards. They are thorough, stringent and, when fully adopted, will raise and level the playing field for corporate sustainability reporting.

Dundas is already engaged with the companies in which it invests about the new standards. Once satisfied that that reporting permits consistent sustainability evaluation, Dundas will adopt one of the FCA's Sustainability categories.

Regulators want 'sustainability' to be applied clearly and credibly in investment product marketing. Facts must fit the description. Dundas' use of "sustainability" is not intended to refer to or describe the sustainability characteristics of a sustainable product.

4. Purpose and Governance:

An appreciation of good corporate governance is the key to success for any long-term investor, our firm included. This principle is applied throughout everything we do. While team members have designated responsibilities, we work collaboratively.

Investment team members have a particular role to play in the research and monitoring of the businesses considered for our portfolios. The Investment Committee, reporting to the Board, reviews ESG activity and sets objectives for the firm's sustainable investment process.

A partner/investment team member is responsible for Sustainability and Stewardship within Dundas and is assisted by another member of staff. We have five full time investment researchers analysing the disclosures from all the businesses invested in.

We have been signatories to the Principles for Responsible Investment (PRI) and UK Stewardship Code since 2012 and 2021, respectively, benefiting from shared experience and enabling us to contribute to the wider discussion around responsible investment globally.

We published our inaugural TCFD report during 2024 and encourage our investee companies to follow suit. The upcoming implementation of the IFRS 1 and 2 accounting standards will no doubt provide the stepping stones needed for all companies to plan for and report on efforts to achieve net zero. We co-ordinate our own efforts in these areas to ensure we embrace best practice.

5. Risks and Opportunities

Sustainability risk is a core element of our analysis, and we believe that understanding how the companies in which we invest could be impacted by various risks allows us to see how our portfolios might be impacted (positively or negatively) in the future.

Sustainability risks can manifest in various forms, including:

Non-compliance with environmental, social, or governance standards, leading to reputational damage. This may result in a decrease in demand for products and services, or the loss of business opportunities for a company or industry group.

Shifts in laws, regulations, or industry norms that could lead to potential fines, sanctions, or alterations in consumer behaviours. These changes may impact the growth and development prospects of a company or an entire industry.

Changes in laws or regulations that could incentivise companies to provide misleading information about their environmental, social, or governance standards or activities.

Our analysis also allows to us to identify investment opportunities, for example, those companies that have or will reduce their carbon emissions faster than others to achieve net zero or whose products and services can help meet the ambitions of the UN Sustainable Development Goals (SDGs).

6. Approach to Responsible Investing

6.1 Investment process

Dundas offers one investment strategy for global equity portfolios pursuing dividend growth.

Our investment process begins by conducting our own research, independent from external opinions. Bias removal, robust challenge and inclusive decision-making are fundamental to our process.

Engaging in independent research empowers our team to uncover valuable insights and connections for better investment opportunities. Leveraging readily available financial and ESG metrics, as well as company and industry materials, we conduct our own analysis. This fosters critical thinking, free from external bias.

All research is stored in our central library, housing over a decade's worth of insights. This serves as a valuable resource, guiding our decision-making with a wealth of collective knowledge and experience.

As generalists, we do not focus on any specific country, industry, or company. Rather, our team looks at different areas of the market together. This allows us to mitigate our personal biases, which can cloud judgment and sway decisions.

Through open dialogue and challenge, we keep things objective, balanced and minimise the risk of relying on any one individual.

In addition, as generalists we identify links between various companies and industries. Recognising and understanding the factors that affect multiple companies helps the team discover better investment prospects.

As co-investors, you can be sure that every stock in your portfolio has been thoroughly researched and challenged.

6.2 Portfolio tools

We utilise publicly available information to conduct our in-house investment research, avoiding sell-side analysis. Any additional resources are paid for by the firm through our Profit & Loss account.

In our investment research and portfolio management, we employ FactSet, Bloomberg, and our own internal proprietary financial analysis system. To support our assessments of companies' resilience to long-term, industry-specific ESG risks and opportunities, such as carbon emissions, supply chain management and board structures, we take input on company and portfolio-level ESG analysis from MSCI ESG Research & Ratings.

6.3 Governance

We value clear accountable governance structures paying close attention to the extent to which a company demonstrates alignment with the interests of long-term investors analysing factors such as board leadership, diversity and independence, management remuneration and shareholder rights

Corporate governance is essential if a company is to capitalise on its opportunities, make repeated good capital allocation decisions, and pay rising dividends year after year to its investors. In our experience, companies with strong governance perform strongly under ESG analysis and scoring.

6.4 Environmental

We use the MSCI ESG Ratings report to help us assess the impact of climate change on our companies with regards to physical risks (the risks resulting from climatic events, such as wildfires, storms, and floods) and transition risks (the risks presented by policy action taken to transition the economy off fossil fuels).

We also use company data from Annual Report and Accounts, Sustainability reports and MSCI carbon metric data to assess the impact our companies have on climate change via scope 1 & 2 emissions. We will include an assessment of scope 3 post adoption of IFRS S1 and S1 accounting standards.

We assess our companies net zero plans which involves analysing the plan and target year and whether the targets have been verified by the Science Based Targets Initiative (SBTi). We monitor progress against targets on an annual basis.

We engage with companies to identify the risks and opportunities presented by climate change, understand how they are working to mitigate these risks and understand the potential opportunities that may arise from the transition to a lower carbon economy.

To effectively assess and track the climate impacts of our portfolio companies as well as the climate-related physical and transition risks they face over time, we report on the following metrics at a portfolio level.

- Carbon Footprint = Normalised measure of a portfolio's contribution to climate change (t CO2e/\$M Invested)
- Carbon Intensity = The ratio of portfolio carbon emissions normalised by sales (t CO2e/\$M Sales)
- Weighted Average Carbon Intensity = the sum product of each company's Carbon Intensity and portfolio weight.

6.5 Social

In line with The European Convention on Human Rights, we respect internationally recognised rights of all humans and we are committed to preventing acts of modern slavery and human trafficking from occurring within our investments.

We use MSCI ESG rating reports and MSCI data to help identify those companies, sectors, and geographies where the risks of modern slavery practices are likely to be highest.

MSCI conduct a comprehensive analysis of labour management and supply chain labour standards for companies in the investment universe exposed to these social issues, flagging poor management practices and controversies.

We integrate this analysis into the investment process. This data and reports are reviewed as part of ongoing stock monitoring in both new stock research and monitoring of portfolio holdings. We use this to inform decisions on buying / selling stocks, portfolio management, engagement, and voting.

Our Modern Slavery Statement is published on our website (www.dundasglobal.com).

6.6 Exclusions

As of 31 March 2024, our exclusions policy is as follows:

- Companies whose principal activity is the manufacture, production, distribution of tobacco
- Manufacture of cluster bombs or similar anti-personnel weapons

- Corporate structures that deny investors title to the underlying operating business assets, such as Variable Interest Entities
- State-owned or controlled companies where shareholders' interests are not respected
- Companies whose principal activity is thermal coal mining or use in power generation.

Whilst not formally excluded, the use of MSCI 'Laggards' which are defined as companies with 'B' or 'CCC' MSCI ESG rating is informative.

7. Approach to Stewardship

7.1 Monitoring

Dundas invests in around 120 stocks across its portfolios. Turnover averages less than 15 percent per annum. Holdings are monitored continuously, with the investment case reviewed at least annually.

The monitoring programme assesses each stock's continuing ability to deliver dividend growth. We consider a variety of sustainability factors to better understand their impact on the companies we research. These factors are essentially those that can have a material impact on a company's cash flows, balance sheet, reputation and ultimately, corporate value.

We monitor the progress of the businesses it invests in on behalf of clients against metrics such as: carbon intensity, scope 1 & 2 emissions, MSCI ESG ratings, board independence, workforce pay & conditions, employee turnover, productivity.

We conduct in-depth analysis of:

- Company financials, such as accounting policies, key sensitivities, and risks
- Products, customers, and competitive position
- Long-term growth drivers and demand trends for the industry
- Management's strategy and corporate governance, comparing it to past policy and outcomes
- Environmental and social practice
- ESG risks and opportunities

7.2 Escalation

Our investment process sifts out 98 percent of the investable universe. For the two percent that make up our portfolios, we maintain contact over the term of the investment. Dialogue with the companies in which we are invested is a key component of the investment process.

We aim to engage with portfolio companies first before deciding to escalate our stewardship activities. Concerns relating to ESG issues are typically raised with the Chair of the Board and/or chairs of the relevant sub-committees. Issues on company strategy or financials are typically raised with the executive team.

Methods of escalation come down to whether the issue is something that we are simply nudging the company to improve on or one which is considered a deal breaker. These inputs are used by the investment team in deciding which stocks are bought, held, or sold.

7.3 Collaboration

Collaboration with like-minded investors can amplify the impact of engagement and voting. Examples include where we lack sufficient shareholding to be heard or prompt change; following multiple unsuccessful engagement attempts; or to raise awareness of ESG issues broader than at the company-level.

It boils down to actions that will benefit our clients. Dundas will initiate or support collaborations relevant to our portfolio and investment philosophy.

7.4 Proxy voting

Ownership carries rights and responsibilities. Dundas endeavours to vote all proxies, aided by our proxy advisor.

Final decisions rest with the Investment Committee, responsible for monitoring voting activity and developing our voting policy. Our full Proxy Voting & Engagement Policy is available on the firm's website (www.dundasglobal.com).

8. Disclosure and Reporting

As a member of the PRI, Dundas reports annually on progress in upholding its six principles and discloses this publicly. Similarly, Dundas fulfils reporting requirements of the UK Stewardship Code and the EU's Shareholder Rights Directive II through an annual Stewardship Report, published on our website.

Dundas is accountable to clients on stewardship. Updates are provided in client reporting, including the outcomes of stock monitoring and engagement. Reporting on voting activity is provided on request and summarised in an annual disclosure available on our website.

This policy is reviewed annually, or when there is a material change, and sits alongside the following documents – all of which can be found on our website:

- Dundas Stewardship Report
- Dundas PRI Report
- Proxy Voting and Engagement Policy
- Conflicts of Interest Policy

9. Memberships and affiliations

We do not take part in political engagement.

We meticulously select memberships and affiliations related to Sustainable or Responsible Investment, ensuring that the organisations we support or join align with our Sustainable Investment approach. Additionally, we strive to actively participate and contribute within these groups.

- Principles for Responsible Investing (PRI)
- Supporter of the Taskforce for Climate-related Financial Disclosures (TCFD)
- Signatory UK Stewardship Code

As of 30 May 2025

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Authorised and regulated by the Financial Conduct Authority in the UK, the Australian Securities and Investments Commission in Australia, and registered as an Investment Adviser with the US Securities and Exchange Commission.