THE HANSEATIC GROUP

Responsible Investment Policy

The Hanseatic Group ("Hansa" or "the Firm")
Comprising Hansa Capital Partners LLP ("HCP") and
Hanseatic Asset Management LBG ("HAMLBG")
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Introduction
As long-term investors, Hansa has a natural desire to be a responsible investor and good corporate citizen. This is reflected in the belief that businesses and investors who are responsible are likely to generate superior long-term returns and, furthermore, consideration of such issues is an important element to potential risks.

Our Responsible Investment Policy ("Policy") seeks to help us incorporate Environmental, Social and Governance factors into our fund and company decision-making. The Policy was developed to formalise our approach and to effectively communicate it with our clients and stakeholders. When assessing the attractiveness of a fund or company we will seek to consider their environmental impact, social factors and for them to demonstrate good governance.

We expect our funds and investments to take ESG issues seriously, to clearly report on them and to aspire to do the right thing. Where a portfolio manager or company is not living up to these standards we will seek to engage with them to encourage improvement with the ultimate sanction being reducing, exiting, or not investing in a fund or company if our concerns are not sufficiently addressed.

Our Responsible Investment Policy was designed by HCP's Chief Investment Officer, Alec Letchfield, with input from all team members, clients and stakeholders. The Boards of our clients have been notified that the Firm has adopted the Policy with the CIO having ultimate responsibility for its implementation with the acknowledgement that some tasks may be delegated or outsourced. All members of the investment team are expected to incorporate the Policy into their investment activities.

This document is purely related to Responsible Investment with the aim of creating one document that simplifies Hansa's approach to it. The Policy will be applied to all of our investments, both funds and companies, and in both public and private markets. The Policy will be reviewed annually or at any such time that updates need to be made.

Definitions
We define responsible investment as:
"The purposeful integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance."

It is our view that effective ESG integration should be regarded as a constantly evolving practice. This Policy will be reviewed at least annually and updated as Hansa develops its ESG integration approach. We believe that a lot of the metrics often used to measure environmental impact attempt to turn an art into a science so we prefer to take a more holistic approach assessing an investment by their intent and direction of travel rather than purely by outcomes.
Hansa has adopted the following, non-exhaustive definitions of the underlying components of ESG:

We define <u>Environmental</u> factors as "issues relating to the quality and functioning of the natural environment and natural systems, identified or assessed in responsible investment processes". We believe that there is a collective duty for urgent and meaningful action in tackling climate change. Monitoring a manager's or company's commitments and efforts to reduce their environmental impact are important ways of assessing the sustainability of a company.

<u>Social</u> factors, defined as "issues relating to the rights, well-being and interests of people and communities, identified or assessed in responsible investment processes", can be split into Dignity and Equality, Health and Wellbeing and Community Engagement. A workplace that actively promotes dignity and equality is integral to a sustainable business. Companies that invest in the wellbeing and development of their employees not only positively impact society by providing a supportive, dynamic, and rewarding workplace, but are also positively impacting the sustainability of their company. We believe that long-term value is most effectively created by serving the interests of all stakeholders. Community engagement helps to deepen a mutual understanding and respect between a company and the community within which it operates.

Governance factors, defined as "issues relating to the governance of companies and other investee entities, identified or assessed in responsible investment processes", includes Quality of the Governing Body, Corporate Strategy and Ethical Behaviour. The quality of the governing body is vital to the long-term success of a company. We monitor the composition, representation, and independence of the board as we believe that the dynamism and knowledge necessary for strong governance is supported by the presence of diverse perspectives and skills. The corporate strategy underpinning board management gives a vital insight into a company's priorities. Corporate integrity and ethical behaviour are an integral part of sustainable business conduct and we monitor the policies and procedures in place to mitigate ethical misconduct.

We have adopted the UN PRI's definition of stewardship which is "the use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend." We proactively use our influence to encourage managers and companies to act in a responsible way and will coordinate with other shareholders where appropriate.

Principles

We believe in the principle that assessing risks and opportunities beyond those associated with financial assets alone has merit. Climate considerations in sustainability can be addressed at every level from the board level down to the level of day-to-day office management. Climate resilience and low greenhouse gas emissions can be constantly fostered.

We are aligned with the UN PRI's belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole. Hansa has become a signatory to the UN-supported Principles for Responsible Investment (UN PRI). In doing so we confirm our duty to act in the best long-term interests of our clients and that the below principles will better align investors with the broader objectives of society.

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the UN PRI within the investment industry.
5. We will work together to enhance our effectiveness in implementing the UN PRI.
6. We will report on our activities and progress towards implementing the UN PRI.

Objectives

We work to achieve our vision by pursuing two key objectives:

1. **Embed ESG into the strategy, direction and goals of our investments:** We encourage our investments to implement ESG into their strategies through our engagements on all topics, as well as on any topics of particularly high importance to our clients. ESG is a powerful tool for a transformative investor; we believe our investments can increase their assets' value by considering ESG risks and capitalizing on opportunities.
2. **Hold ourselves and our investment partners accountable by creating transparency throughout our investment process:** We care for and earn the trust of our stakeholders by being reliable and transparent about both our successes and shortcomings. We strive to be a role model in ESG reporting, and to demonstrate the depth and coverage of our engagements in an assurable manner, as well as compelling case studies throughout our portfolio. We only entrust our clients' capital to managers whose principles align with ours.

Approach

We seek to invest in funds who are responsible owners of their companies, have a specific consideration of how their companies manage their ESG responsibilities and seek to engage with their boards if a company is failing in its duties.

Whilst we do not seek to exclude fund managers that invest in sectors such as energy or countries such as China, we would also expect such managers to properly articulate how they operate in such areas and manage the potential ESG considerations.

Our investment philosophy favours those managers who are typically long-term in their approach and seek to invest in high quality companies that are well managed and often higher returning. As a result many of our managers will either not invest in or have a high hurdle before they will invest in those business that are focused on the energy, resources or materials. Hence although we do not set limits there is a natural bias away from those companies and sectors that score less well on ESG metrics.

As part of our fund selection process we have introduced an ESG section within our due diligence procedure. We use this section to help us to determine whether further action is required. It will look at the following factors:
- Does the manager take their ESG responsibilities seriously?
- Do they have a formal ESG policy?
- How does the manager engage with those companies that are failing in their responsibilities?
- What is their voting policy?
- How do they consider E, S and G factors in their investment decisions?

When considering our direct equity investments, we seek to ensure that company management teams are responsible custodians of their businesses, report clearly on ESG metrics and seek to improve on those areas in which they are lagging. Again, as with our fund selection, we do not seek to exclude specific sectors and countries but instead for those companies that make significant use of energy, resources and materials we want to understand how they manage these issues and their responsibilities. We have also included a responsible investing section into our due diligence document. Amongst other things this will cover:
- Does the company take their ESG responsibilities seriously?
- Do they have a formal ESG policy?
- How does the company manage circumstances where they are failing in their responsibilities and do they seek to be best in class on these issues in their peer group?
- How do they consider E, S and G factors when making business decisions?

Further to this, our due diligence procedure requires all investment opportunities to be screened, via a third party screening tool solution, against the UK's and Bailiwick of Guernsey's financial sanctions consolidated list. Further to this, the screening tool reviews investments against various lists maintained by other relevant jurisdictions, including the EU consolidated list, US OFAC consolidated list and United Nations consolidated list. We make our best efforts to comply with legally required exclusions or sanctions lists implemented.

Why?
We expect the entities in which we invest to have strategies in place to manage ESG risks.

Responsible investment is fully aligned with our heritage and values, as demonstrated by being a signatory to the UN PRI. Our adoption of this Policy marks a further step in our journey to align our business with the core principles of the PRI. 'Thinking, acting and investing responsibly' will help manage risk, support informed investment decisions and help to generate better long-term results for our clients.

This is beneficial for several reasons:
- **Long-term stewards for a more sustainable world:** we understand the benefits that society can reap from our ability to identify long-term, sustainable investments for our clients. Taking ESG factors into account will enable us to deliver positive financial and societal value to both our clients and the world around us.
- **Integrating ESG can enhance investment performance:** there is clear evidence that integrating ESG analysis into the investment process brings no penalty. ESG integration is rapidly becoming embedded in 'mainstream' investment management as a means through which to identify material risks and opportunities. Better ESG integration can enhance our research insights and put us in a strong position to take advantage of opportunities.
- **Recognising our clients' increased interest:** there is a growing demand from society for companies to operate responsibly. Greater concern for environmental and social issues presents a need to provide more responsible solutions for clients. We are committed to developing the solutions that are right for our clients and aligned to the development of their evolving core areas of interest.
- **Regulatory change:** US, UK, European and other regulators are noticeably tightening transparency rules around the delivery of financial products claiming to apply ESG factors. Across the industry, advisory bodies and associations are formalising approaches to responsible investment. The EU Technical Expert Group on Sustainable Finance (TEG), Financial Reporting Council (FRC) and Investment Association are all working to provide concrete definitions of responsible investment to ensure there is one global voice on the topic.

Stewardship
Hansa Capital Partners LLP is not currently a signatory to the UK Stewardship Code due to the majority of its investments being in open-ended funds, although Hansa has been a signatory in the past. However, HCP continues to support the principles and underlying objectives of the Stewardship Code and will annually review this stance in line with evolving investment strategies and any changes made to the UK Stewardship Code.

Hansa aims to be an active and considered allocator of our clients' capital. At our core is our responsibility to understand our investments fully and play an active part in their lives. We engage with our holdings on their key material issues and vote (or advise our clients to vote) our proxies as a way of voicing our support for or concern over management and pay. Ultimately, our approach to stewardship is that we align our respect for the environment and society with our goal to make long term returns for our clients.

We have an ever-increasing role to play in encouraging managers and companies to make the best long-term decisions for their business which also benefit people and the planet. And this is about managing both risks and opportunities.

Our responsibility is to ensure that all of our investee managers and companies are thinking longer term and that they are also thinking about their longer-term impacts across the spectrum of their business. This certainly includes the negatives – such as understanding how companies are lowering their carbon emissions, ensuring they are not using forced or child labour in their supply chains, taking care not to deplete natural resources or be involved in deforestation. But it also includes the positives. We want to know if a company is taking advantage of the opportunities that it may have from climate change – developing greener energies – or from recycling used clothing or designing fabrics that are biodegradable. ping greener energies – or from recycling used clothing or designing fabrics that are biodegradable.
Our involvement with our managers and companies is on-going and pushes them to manage the risks and take advantage of the opportunities in a tailored, considered way that reaps longer term benefits for our clients as well as the environment and the greater society.

We will ensure that our corporate and political activities will support and be aligned with our approach to stewardship and ESG-related policies and our commitment to the PRI principles in all of our spheres of influence.

Voting Policy
We actively vote (or advise our clients to vote) across all of our holdings in line with our responsible investment commitments. Over the last 3 years we have actively considered all shareholder votes for our current investments.
We currently do not use any third-party providers, such as ISS or Glass Lewis, to assist with voting. We receive notifications of upcoming votes once a day from Bloomberg which feeds directly into our internal portfolio management system. When Hansa votes against management a note is made in this system as to why the decision was made to vote in this way. Hansa may actively decide to abstain from votes where this is considered the best option for our clients' interests.

As proponents of responsible investment, we aim to lead by example, act with integrity and promote the desired culture within our investments. We believe it is in the best interests of our clients for the companies and funds in which we invest to adopt best practice in corporate governance, and through our voting activities we will:

- **be long-term stewards for a more sustainable world:** mindful of our responsibilities to our clients, we seek to be good, long-term stewards of investments that we manage on their behalf. Active, informed voting is a fundamental expression of investor stewardship.
- **protect returns:** it is our responsibility to make full use of shareholder votes and ownership rights to influence companies and funds to adopt more long-term, sustainable practices. We aim to ensure that company boards provide appropriate and independent oversight of management strategy and company activities.
- **ensure ESG integration across investments:** we will also encourage managers and companies to identify and manage ESG risks to protect long-term asset values, and as a result produce robust ESG disclosures.

Engagement and Escalation
It is our responsibility to undertake dialogue with managers and companies on a wide range of ESG issues with the goal of producing better investment and societal outcomes.

We believe that purpose-driven engagement on ESG issues with underlying managers and companies forms part of our wider societal responsibility as a business. We have a role to play in addressing and minimising any systemic risks that may affect the assets in our portfolios. We do this through deep, meaningful and long-term engagement on a variety of topics.

Engagement on ESG issues has formed an important part of our stewardship activities for many years. When coupled with active voting and set within a clear escalation framework, we believe engagement can be a powerful force for change. In addition, engagement on ESG issues can lead to improved performance and hence add value for clients.

Engagement with the managers and companies in which we can invest takes several forms, including regular and ad hoc face-to-face (or video) meetings with management and formal written correspondence. Engagement may cover a wide range of issues, including but not limited to environmental issues (including climate change), social issues (including diversity in all its forms) and governance issues (including leadership and remuneration). We are happy to work with other investors to engage with management when we feel it would be beneficial to do so.

In order to maximise the effect of our engagements and deliver on our responsibilities to our clients, we have a pragmatic and focused approach to engaging on a range of issues. Engagement must have consequences to be effective. Following our best efforts made through a campaign of focused engagement for change, we are prepared to reduce or exit holdings in managers and companies that continue to present a materially poorly managed ESG risk over time, if we believe it is the best course of action for our clients.

Transparency
We believe that clear and ongoing communication to clients on the ESG characteristics of our investments is important. Integrating ESG factors into our research, engagement and investment process has limited value if we are not transparent about our progress. As outlined, we plan to adopt responsible investment in a gradual and structured way, ensuring that commitments or promises we make can be substantiated with clear evidence of action.

We aim to be authentic in our responsible investment approach and will continue to communicate regularly with our stakeholders about our progress on making our business more responsible. We will be making a detailed submission to the annual PRI reporting cycle and will then use its findings to consider how we can improve our processes in the future.

We will also develop and publish specific ESG strategy documents and periodic thought leadership pieces discussing pertinent issues in the environmental, social and governance spheres aligned to our responsible investment commitments. We review our policies and reporting cycles on an annual basis to make sure we are in line with industry standards. We will evolve our reporting in this area in line with expected regulatory developments.

Exclusions
The choice of not investing in a particular company or sector is known as an exclusion. Hansa does not believe that excluding whole sectors or countries is a sustainable, or reasonable, approach. We assess each manager or company as an individual taking into account the sector and country within which they operate. We also look at the direction of travel. A manager may be trying to encourage companies in a polluting sector to improve their environmental performance. Ultimately, we have a responsibility to preserve our clients' capital and to meet their investment objectives.

With responsible investing a very broad church, it is therefore important to define what we are not seeking to be:
- We are not pursuing an exclusionary policy whereby we are negatively screening potential funds or companies and thereby restricting our investment universe.
- We are not seeking to be an ESG fund.
- We are not building out an ESG team within Hansa but rather will leverage off third parties and data which the whole investment team will then interpret intelligently.

We believe that change can often be better enacted from the 'inside', engaging with management to encourage improvements when deficiencies are identified. A blanket policy of not investing in certain sectors and geographies can have the effect of pushing companies in these areas to providers of capital who are not responsible investors. We ultimately reserve the right to invest in whatever we think is best for our clients.

Conflicts of Interest
The Partners of Hansa Capital Partners LLP and the Directors of Hanseatic Asset Management LBG take responsibility for implementing systems and controls designed to prevent conflicts of interest in the Firm. Hansa has a dedicated policy for dealing with conflicts of interest that is available on request.

Conflicts may, however, occur between our commitments to responsible investment and our responsibilities as regulated investment managers authorised by the Financial Conduct Authority (for HCP) and Guernsey Financial Services Commission (for HAMLBG) as well as our duty to our clients. We are confident that our existing conflicts of interest management systems address these issues in sufficient detail.

We manage all conflicts of interest according to the following guidelines:
- In all instances, Hansa acts in the interests of its clients, first and foremost. We do this across our analysis, engagement and proxy voting activities.
- We treat all of our clients fairly, in accordance with our policies. We are not swayed by any commercial relationships that we may or may not have with third parties.
- We keep internal conflicts of interest lists that are maintained by our compliance teams. These lists are updated whenever there is a potential conflict of interest and records of these lists are kept on file. Our compliance teams have oversight and management of these lists.
- We keep an audit trail of all of our engagements with both our clients and our investments. Client and investee fund and company meeting notes are kept on our in-house systems and our proxy voting records are also kept.
- We are transparent on our engagements and their outcomes with our investments and report on these to our clients on an annual basis.

Where the Firm is not reasonably confident that it is able to manage a particular conflict to adequately protect the interest of a client, the general nature and/or sources of conflicts of interest will be clearly disclosed to the client before the Firm undertakes any business.