CADENCE
INVESTMENT PARTNERS

Responsible Investment Policy

As a long-term investor, Cadence Investment Partners LLP ("the LLP") view the sustainability of a company's business model to be crucial to any investment decision. We aim to be supportive shareholders in each of our companies over many years, and as such we require each to evidence strong responsible investment behaviours. We define this as a thorough recognition of the impacts a company has on its stakeholders (including but not limited to its employees, investors, customers and broader social surroundings) and the physical environment (both local and global). Without identifying and addressing how each of these impacts will be mitigated, the fundamental long-term investment case would be undermined.

Our analytical process examines the materiality of factors affecting our investments in each of these areas, emphasising a combination of current standards and proactive policymaking. We recognise that all businesses face challenges in combining their profit and growth motives with a sustainable approach to operations, and this is particularly the case in the emerging markets which make up a majority of our universe. We expect our holdings to demonstrate both an understanding the current expectations of stakeholders and the broader global community, and the likely evolution of those expectations. In regard to environmental factors this means an awareness of not only how climate change may affect their business in the years ahead under negative assumptions, but also a willingness to be transparent about their own impacts on the environment and climate.

On a more prosaic, but nonetheless important level, we believe that good corporate governance is an essential pre-requisite to investing in any business. Our initial analysis of any potential investment therefore incorporates governance issues such as shareholder and board structures, management compensation, related party transactions and conflicts of interest as well as employee compensation and pension provision. In addition to financial factors such as profitability, cash flow and balance sheet structures we also investigate labour working practises as well as any environmental problems and the attitude of company management towards these. We often find there is a strong correlation between a company's transparency and engagement around governance, and their commitment to addressing the ESG factors referenced above. Both elements tie together to form a picture of investment sustainability.

As long-term investors, we have an important role to play in promoting good sustainability behaviours in each of the companies that we are invested in. As such we vote all proxies ourselves, with due care and attention to each decision. We also believe that the management of any business it invests in should be aligned to the interests of the shareholder. As such we encourage ownership of shares by the management in the company. As part of our investment process we aim to understand management Key Performance Indicators (KPIs) and make it clear where we feel these do not align well with the interests of investors and other stakeholders. Our view is that this alignment is key to the long-term resilience of any business and should not be compromised for short term gain.

We do not operate an exclusions policy on the basis of negative screening, as we have a detailed fundamental process for developing ideas which we feel is more efficient and nuanced. We do have a structural aversion to industries where environmental impacts are pronounced, as we see increasing headwinds for the profitability and (ultimately) sustainability of these models into the future. Areas like energy and mining come under this umbrella, and are also excluded due to their commodity-driven cyclicality. These businesses regularly destroy capital during periods of weaker pricing and are fundamentally unattractive to us on that basis. In practice we have not owned any positions in these industries and are highly unlikely to ever do so. Rather than adopt an arbitrary exclusion policy however, we prefer to look at every idea based on its merits within our process. We are very sensitive to social factors such as employee treatment, and avoid investing in any company where we are uncomfortable in this area, but again this is a more nuanced decision which plays to the strengths of our detailed analysis.

In an effort to express our investment approach through third party affiliations, we have adopted the standards set out by the United Nations Principles for Responsible Investment ("the UNPRI") and the Financial Reporting Council's Stewardship Code ("the Stewardship Code"). We have also joined the Institutional Investors Group on Climate Change (IIGCC) in an effort to engage with our peers and improve our own analysis of climate issues. We comply with the EU Shareholders Rights Directive 2017 and our voting record is detailed in a separate Voting Disclosure document.

1. The UNPRI

The LLP has signed up to the UNPRI since 2017 in an effort to formalise our approach to sustainable investing and become more accountable. This means that within our investment process and policy we adhere to the following statement and the six principles for responsible investment set out by the PRI and its partners the UNEP Finance Initiative and United Nations Global Impact:

"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time)."

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Our research process requires not only a detailed analysis of the business strategy, profitability and market position but also a thorough analysis of the sustainability of each business model. This involves an in-depth review of the corporate governance policies adopted by the company, a detailed accounting review of the company in an effort to identify practises which may detract from long term shareholder returns, and a full review of the social and environmental issues affecting a business with policies to address these.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

We are active investors and will seek to engage with the management of all business we are invested in. This covers all the ESG issues we have identified, emphasising areas where we require greater transparency or feel there is room for improvement. We also seek to engage with peer investors around any outstanding ESG issues where we feel a more united front is likely to have a greater impact.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

We expect all of our invested companies to provide a good level of transparency and detail around ESG issues through both regular sustainability reporting and more bespoke responses to questions. Where we feel there is a shortfall in either of these areas we provide feedback to management with specific suggestions for improvement. We encourage managements to look at international benchmarks and "best in class" standards rather than relying on local regulations to set targets.

Principle 4: We will promote acceptance and implementation of the principles within the investment industry.
We are passionate about the need for good corporate governance within the businesses we invest in and encourage all of our company contacts to adopt such an approach. We reference our UNPRI membership widely, and seek to evolve and improve our own practices each year through comparisons with other managers.

Principle 5: We will work together to enhance our effectiveness in implementing the principles.
Apart from our own contacts with companies we will continue to reach out to fellow shareholders where we feel a collaborative approach would add weight to our arguments. Our small size has been a hindrance in getting positive responses to these approaches in the past, but we will persevere and with our AUM growing we expect this to become a more fruitful course of action over time.
Principle 6: We will each report on our activities and progress towards implementing the principles.
We report annually on the UNPRI's website and we offer our clients full access to all our discussions regarding ESG principles with the management of investee companies if requested.

2. The Stewardship Code

In addition to the UNPRI we also strive to meet the FRC's Stewardship Code which describes a series of benchmarks that UK institutional investors should strive to meet with respect to their holdings in UK equity securities. While the LLP does not normally invest in UK equities it believes that the Stewardship Code's principles are important to all types of equity investment whether UK or international as they provide a degree of fiduciary responsibility for any investment manager acting on behalf of its clients.

Principle 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
The LLP manages a single focused investment strategy whose tenets are reflected in our own approach to running a business. The investment philosophy rests on identifying those companies across Asia which combine the highest standards of corporate governance with sustainable long-term business models. We believe that by owning these stocks over many years we are able to compound excellent returns for our clients, which will ultimately compare well with the returns of the market and our peer group. Key to this endeavour is our trust in those invested companies to maintain consistent operating returns over time, built on their successful management of financial, environmental, social and governance risks. Over time, our consistent allocation of capital on behalf of our clients to these businesses should itself help - in an incremental sense - to encourage broader sustainable benefits.

Principle 2: Signatories' governance, resources and incentives support stewardship.
The LLP is a simple partnership of 5 individuals, all with significant experience (average >20 years) in the investment industry. We own and control the business, managing a single strategy in which we invest alongside our clients. Our systems and procedures are designed to be suitable to this focused structure and easily understood and verified by our investors. All partners are incentivised by the long-term sustainable profitability of the strategy, which relies on producing consistent returns. The product managers make decisions in collaboration with the whole investment team, and each position is overseen by both a specific individual as well as the broader group. With only 20-30

positions and an average holding period of more than 5 years, this is a very sustainable approach in terms of resources.
In terms of areas where we can improve, our diversity remains poor as an all-male team, and we recognise the potential benefits of adding members with more varied backgrounds and viewpoints. We have put in place a diversity policy which will drive future expansion, as we see the clear benefits of broadening our experience base.

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
We maintain a conflict of interest policy which aims to identify and address all aspects of potential conflicts arising between the activities of partners, the business and our clients and beneficiaries. Once again, our small size and simple, single strategy structure makes this a relatively straightforward process.

In some specific areas, the following policies apply, overseen and reviewed regularly by the senior partners:
- All staff are required to keep a full record of their personal dealing and get written approval from another senior partner before buying or selling financial products. Similarly, staff are forbidden from dealing against the interests of our clients.
- All staff must comply with compliance rules on inducements, gifts and entertainment
- Any conflicts not covered by firm policies are required to be disclosed, applying the spirit of the rules wherever no specific rule exists

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning system.
The partners monitor developments in market and systemic risk through a combination of their wider reading and interaction with a third-party compliance advisor. This company helps the LLP stay aware and up to date with the latest developments in systemic risk and how our regulators expect us to address these through evolving policymaking and behaviours. We apply all relevant monitoring and record keeping around KYC and fair treatment of clients, as well as maintaining regular training in financial crime prevention.

In terms of core investment activity, our focus on companies with sustainable business models means we naturally communicate with all potential and current investments on subjects coming under the ESG umbrella and broader financial corporate governance. Our long-term investment period makes us extremely sensitive to these broader 'tectonic' risks which will usually take time to play out across markets but may have profound consequences for all stakeholders. This also encompasses the more prosaic risks around geopolitics, currencies and interest rates which affect all investors.

Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities
The LLP utilises a third-party compliance advisory firm to test and challenge our policies on an ongoing basis, and to ensure that they are kept up to date with the latest best practice in the industry. We also apply any feedback we receive from client due diligence to improve and evolve our processes. Any issues which arise internally to highlight shortcomings are also used to improve on our policy suite.

Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them
Our clients receive regular monthly updates on the positioning and performance of the strategy, alongside more detailed quarterly reports reflecting our latest thoughts and work focus. We also provide full updates on our voting decisions on request, and respond in a timely manner to any other client queries regarding their investments with us.

We manage a single strategy for institutional investors (no retail marketing). Our investment time horizon is long and we make it clear to all investors that we expect to make returns over the course of a number of years. As an index agnostic strategy, we also make it clear that our risk and return profiles are not expected to match that of the broader market. In practice we have delivered a significantly lower level of volatility than the market over all time periods.

All this is clearly communicated to any prospective clients and we feel that our approach to risk/reward closely matches that of our typical institutional investor – a focus on long term sustainable returns with risk identified as the potential permanent loss of capital.

Principle 7: Signatories systematically integrate stewardship, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
ESG issues have been integrated into our research process over the entire life of the fund, as they are part of building the confidence we need to hold any business for the long term, through challenging periods and evolving stakeholder demands. We have steadily improved our reporting of environmental and social factors over time as discrete from the significant work we have always produced around corporate governance. Managing all these factors in a progressive and forward-looking manner has a very material impact on the brand and unique operational advantages of any business surviving over time. Our strategy is built on low turnover and long holding periods, making long term ESG risk factors critical to our initial investment decision and the maintenance of ongoing conviction in each position.

Principle 8: Signatories monitor and hold to account managers and/or service providers
We do not have a wide range of service providers, doing our research from the published financials of our invested companies. We pay for the services of a very small number of brokerages to allow for trading, and we have access to their own research but in practice we make virtually no use of this as their timeframe and valuation methodologies are at odds with our own. We use a third party compliance advisor to help maintain a high standard of policymaking and regulatory compliance, and we see regular evidence from them of their ongoing attention to industry standards. Bloomberg is a most basic service provider, and we only rely on their data in the early stages of any investment research, moving on to publicly available data for our own in depth analysis.
Principle 9: Signatories engage with issuers to maintain or enhance the value of assets
Our engagement approach is embedded in our research process. As part of initial due diligence, and then on a regular basis for existing investments, we arrange to meet and/or talk with the management of each company to discuss all relevant concerns we have identified. Through our financial and ESG research we inevitably find a range of issues where we require greater clarity or need to challenge management on a flawed approach, and this engagement process provides the platform. We also vote all proxies actively and independently, regularly voting against items which we feel represent poor governance on behalf of stakeholders. We contact management in many of these cases to reflect our decision and request a change or improvement in standards. As long-term shareholders we rely on the ongoing strength of governance at a firm to underpin our returns.

Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers

We are entirely open to joining with other shareholders in engaging an investee company about an issue which serves the common good. In practice, we have approached co-investors to try and form a joint approach on certain issues we felt to be important. We will continue to make these approaches where we feel it will be worthwhile to apply greater pressure on a management team to address issues and concerns we raise on shareholders behalf.

Principle 11: Signatories, where necessary, escalate stewardship activities to influence others
We are keen to pursue any issues we view as key to good governance or corporate behaviour, and we do this through our engagement process. In practice we come across very few cases where behaviour or policies are egregious, as we apply such a high quality threshold to governance in our due diligence and monitoring processes. We would certainly escalate any issues which we felt were truly invidious to the relevant market authorities or regulators, but thus far we have not been placed in this situation.

Principle 12: Signatories actively exercise their rights and responsibilities.
We vote all proxies actively and independently without any default to management recommendations. We keep full voting records which are available to any of our clients on request, and we discuss our decisions openly along with our reasoning. We regularly vote against proposals which we view as running against shareholder or broader stakeholder interests. Although we have no examples of proposals which we deemed clearly negative from a more general environmental perspective (for clarity we do not invest in extractive or materials sectors), we are alert to this and would not hesitate to reflect it in our voting decisions. Our clients delegate their voting rights to us on this basis and we have not experienced any requests for a client to override this situation to vote themselves. We do not engage in stock lending.

Questions on the UN PRI principles, the UK Stewardship Code Statement, Proxy Voting Policy and Conflicts of interest should be referred to the Responsible Investment partner
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5th March 2021