

# COLUMBUS POINT LLP

## Responsible Investing Policy

October 2021

### Introduction

Columbus Point's primary investment objective is to generate superior investment returns for our clients. As long-term investors, we believe that effective decision-making is dependent on thorough knowledge of the determinants of a company's future success, and understanding environmental, social and governance ("ESG") issues is critical to achieving that objective.

Our single investment strategy is concentrated, holding a range of 20-30 global listed equities promoting environmental and/or social characteristics by excluding certain activities from our investable universe. For all investing we take account of ESG issues at all stages of the investment process, from thorough due diligence prior to investing through to continuous monitoring of our holdings, regular engagement with company management and disciplined voting of proxies.

### Investment Exclusions

The investment strategy aims to exclude investments ("Excluded Investments") in issuers involved in certain activities that we believe cause material environmental and/or social harm. Exclusions include significant involvement (defined as greater than 10% of annual revenue) by the issuer in the following activities:

- arctic oil and gas exploration and extraction;
- anti-personnel landmines, cluster munitions, chemical and biological weapons;
- gambling; and
- adult entertainment

The exclusions are applied on a best-efforts basis, drawing on information from recognised third party sources. Should an investment's activities change so as to breach the exclusion criteria after an investment has been made, the investment team will determine how best to liquidate the position, or, where applicable, take action to remedy the situation through direct engagement with the issuer.

### ESG Research

ESG research is integral to the Columbus Point research process. We believe ESG analysis serves two purposes: understanding the impact of ESG considerations on a company's economic, and therefore shareholder, returns, and understanding their impact on stakeholders. The degree to which ESG issues are relevant and material to an investment depends on many factors associated with the specific company under consideration and the industry in which it operates. ESG factors such as air emissions, carbon footprint, water use and conservation, gender and ethnic diversity, board independence and reporting transparency, among others, contribute to the firm's internal materiality index. The prioritisation of ESG factors is dependent on the activity of the company under review; for example, a manufacturing business is more likely to focus on environmental issues whereas a social media company will be more exposed to social factor considerations.

Using both quantitative and qualitative processes, relevant environmental and social factors are identified, monitored and managed by the Columbus Point's investment team in the following manner:

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- (i) The investment universe is subject to the exclusion criteria applicable to Excluded Investments described above. These exclusions are programmed into investment controls and are reviewed at least annually using the latest data available.
- (ii) Prior to acquiring non-Excluded Investments for our strategy, we utilise our own research as well as ESG analysis provided by third-party data providers (“Data Providers”), such as Sustainalytics and Glass Lewis Europe Limited (“Glass Lewis”), to conduct fundamental analysis in order to assess the relevant investment’s environmental and social profile and the adequacy of the issuer’s ESG programmes and practices. The information gathered from the fundamental analysis conducted will be taken into account by the investment team, and ultimately the Chief Investment Officer, in deciding whether to acquire a holding in an issuer.
- (iii) The investment team analyses and monitors material environmental and social factors of its investments on an ongoing basis. The selection of the material environmental and social factors considered by the investment team is determined by the activities and operations at the company level, but will always include:
  - a. scope 1 and scope 2 carbon emissions;
  - b. energy consumption;
  - c. utilisation of renewable energy;
  - d. percentage of female directors on the board;
  - e. percentage of female employees; and
  - f. gender pay gap.
- (iv) During the life of the investment, environmental and social profile of issuers are monitored through review of ESG data published by the issuer (where relevant) and selected Data Providers by the investment team to determine whether there has been a significant deterioration since the previous assessment was conducted.
- (v) Where the environmental and/or social risk profile associated with a particular investment deteriorates materially the investment team will consider reducing or selling the investment to remove exposure to the relevant issuer, taking into account the best interests of clients and investors.
- (vi) The investment team pursues an engagement-led approach to ESG promotion and undertakes stewardship activities with the management of investee companies. These efforts aim to protect and enhance value for shareholders and stakeholders through reinforcing good and/or improving ESG standards and practices.

### ESG Research

The investment team utilises its own internal materiality index, which includes the primary factors we track in our ESG research. The team identifies the most relevant and material factors for each portfolio company from the list below and collects information and data on those factors in the due diligence process.

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### Environmental

Air Emissions  
Biodiversity protection  
Community health, safety and security  
Energy Conservation  
Carbon footprint  
Hazardous materials usage  
Land contamination  
Natural resources preservation  
Raw material sourcing  
Renewable energy utilisation  
Waste Generation  
Water Use & Conservation

### Social

Adequate Housing  
Animal Testing/Welfare  
Consumer/Data Privacy  
Consumer Protection  
Customer Protection  
Diversity/Inclusion  
Health/Safety  
Impact on local communities  
Labor practices (child/slave labor)  
Supply Chain  
Tax strategy

### Governance

Antitrust violations  
Auditor Independence  
Board Diversity  
Board Independence  
Board quality  
Bribery/Corruption  
ESG Materiality Analysis  
Management compensation/incentives  
Political Contributions  
Reporting transparency  
Voting rights

The materiality index is reviewed on a company-by-company basis at least annually to ensure robust monitoring of underlying changes at the company level. Our research process looks for strong policies, transparent disclosures and improving outcomes as indicators of ESG quality.

In addition, all levels of controversy ratings<sup>1</sup> as identified by Sustainalytics are applied by the investment team. Specifically, the investment team conducts

- 1) a pre-investment check for severe controversies.
- 2) an annual severe controversy test as part of our annual ESG research.
- 3) controversies check at the time we decide how to vote in the issuing company's Annual General Meeting ("AGM").

### Stewardship and Engagement

As the modern public company has become increasingly capital light, we believe the primary role of the equity investor has shifted from provision of capital to stewardship of capital, with a critical aspect of stewardship involving holding management to account for their business's impact on society.

Direct engagement with issuers performs a key role in our research process when action needs to be taken to improve ESG metrics or shareholder value. The investment team performs extensive fundamental research on all positions, including reviewing proxy statements, annual reports, sustainability reports and other publicly available information. During this process, we will perform an assessment of the company, including the company's management, business practices and relevant ESG factors.

Where there are concerns, we will raise them directly with the relevant individuals at the company. Such concerns might include: the failure of management or the board to protect shareholder value,

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<sup>1</sup> The Controversy Rating reflects a company's level of involvement in ESG issues and how it manages these issues.

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insufficient ESG disclosures, deteriorating ESG metrics, and inadequately-aligned management incentives.

Our long-term approach generally leads us to be supportive of company boards and management. Nonetheless, where appropriate, we will engage to influence investee companies on specific matters or policies. Columbus Point is unlikely to make public statements, submit resolutions, requisition a general meeting, or make a shareholder proposal. We believe that, in general, engagement is best performed on a confidential basis with investee company management.

When engagement is unsuccessful at delivering change, Columbus Point will escalate stewardship activities. Escalation includes, but is not limited to, communicating our concerns to senior management and/or the board of directors, voting against relevant resolutions at shareholder meetings, and, in the last resort, exiting the investment.

Columbus Point monitors on an annual basis the portfolio companies' proxy statements, annual reports and sustainability reports, to assess the extent to which management has incorporated the investment team's recommendations. Given the concentrated nature of the Columbus Point Global Equity portfolio, unsuccessful engagements will be escalated as described above, with the timing and the nature of the escalation at the discretion of the investment team.

### Engagement: Voting Behaviour

It is the Firm's policy to exercise voting entitlements at all available opportunities including at AGM and Extraordinary Meetings, and to vote on all shares that it holds on behalf of its clients. Our voting at shareholder meetings will reflect our views on an investee company's ESG policies, and management's effectiveness in executing them. The Firm uses Glass Lewis for the provision of analysis and recommendations on how to vote. These recommendations are based on a principle of maximising shareholder value. An analysis of the corporate governance implications of each vote is also provided.

Voting recommendations provided by our proxy service provider are not automatically followed by the Firm's Portfolio Managers, who are responsible for reviewing the vote and the recommendations and determining their own course of action, taking into account the best interests of clients. By reviewing each vote, the Portfolio Managers keep abreast of corporate and other issues arising and can positively impact the strategy and direction of companies in which the Firm's clients invest.

For the calendar year 2020, using the Columbus Point Global Equity ICAV as a proxy, we voted as follows:

Proxies received	25
Proxies voted	25
Total issues for all proxies received	349
Issues voted against management recommendation	33
Issues voted against Glass Lewis policy	15
Abstentions /withheld votes	4

A full copy of our Proxy Voting Policy is available upon request.

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### International Standards

Columbus Point supports the measures taken to tackle climate change and its negative impacts adopted by the Paris Agreement. It also supports the work of the Task Force on Climate-related Financial Disclosures and intends to adopt its recommended disclosures in 2021.

Columbus Point has committed to comply with the principles contained in the European Fund and Asset Management Association (“EFAMA”) Stewardship Code (the “EFAMA Code”).

Columbus Point has also been a signatory to the Principles of Responsible Investing (UNPRI) since January 2018.

### Regulatory Framework

Columbus Point does not have sustainable investment as its objective as governed by Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment known as the “EU Taxonomy”. The investments underlying the strategy do not take into account the EU criteria for environmentally sustainable economic activities as defined in the EU Taxonomy.

Columbus Point does not consider the adverse impacts of investment decisions on sustainability factors as contained in the European regulation known as the Sustainable Finance Disclosure Regulation. The firm continues to monitor regulatory developments by its regulators in the United Kingdom, the United States and Canada and other international regulatory ESG initiatives and will comply accordingly as these jurisdictions develop their approach to ESG considerations.

### ESG Impact on Remuneration

Our investment team’s ESG analysis and on-going monitoring directly impacts Columbus Point’s investment management fee income and, ultimately, profitability from which partners and staff are remunerated by way of profit share or discretionary bonus. New awards of profit share to members of the investment team will take into account the adoption of Columbus Point’s comprehensive due diligence processes, which include ESG considerations.

### Monitoring and Oversight

Responsibility for the monitoring and oversight of the firm’s compliance with this Responsible Investment Policy lies with the Risk Oversight Committee (“Committee”) and its chair, the Risk Officer who is also the firm’s Chief Compliance Officer.

The Committee reviews the operational of this policy annually and will report its findings to the firm’s Executive Committee. The Committee is also responsible for ensuring that members of the investment team maintain a sufficient level of knowledge and competency on all matters relating to responsible investment, especially ESG considerations, through continuous professional development by way of training, attendance at conferences and seminars, and any other appropriate medium.