



# RESPONSIBLE INVESTMENT POLICY

Sustainable Global Emerging Markets

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RESPONSIBLE INVESTMENT POLICY - SUSTAINABLE GLOBAL EMERGING  
MARKETS

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## RESPONSIBLE INVESTMENT POLICY - SUSTAINABLE GLOBAL EMERGING MARKETS

**Vision:** Recent research supports our long-held belief that incorporating Environmental, Social and Governance (ESG) score momentum into an Emerging Market investment process adds significant stock selection alpha over time – more than in developed markets. Countries that progress rapidly up the development ladder, meanwhile, typically enjoy better governance and institutional quality. Analysing this (relative to their level of development) also adds significant value over time. We at NS Partners believe it is not only right but is in our client’s best interests to incorporate such analysis into our investment process. This approach, with its focus on improving trends is similar to our fundamental EVA (improving ROIC) and liquidity analysis at stock and country level respectively.

The Sustainable Global Emerging Market Fund weights the output of this analysis higher still, resulting in fewer stocks (lower or improving ESG risks) and lower tolerance thresholds (no stocks with high externalities or social costs such as alcohol, tobacco, oil, etc.). Those countries with poor institutional quality relative to their level of development will also have lower weightings over time. The result will be a more concentrated portfolio, a longer time horizon and lower turnover. Higher returns should more than compensate for the moderately higher volatility of returns.

At its heart, this is about backing the improvers. The data is poor at the current moment in time and using an ESG or values-based approach is more challenging in Emerging Markets, but this is why we believe the returns and impact will be greater for an active, fundamental, engaged approach that incorporates both top-down and bottom-up analyses.

### I. Approach

This policy outlines the key principles that underlie NS Partners’ commitment to incorporating responsible investment considerations into our investment process. NS Partners’ primary responsibility is our fiduciary duty to our clients which includes acting and investing with prudence. NS Partners believes that Environmental, Social and Governance (ESG) factors play a material role in determining risk and return of securities and that all else being equal, over time companies with better ESG practices will outperform those with poorer ESG practices. By ensuring that financially material ESG factors are captured in the investment process, our policy on responsible investing aligns with our duty to seek the best returns for our clients.

As a part of our commitment to responsible investing NS Partners is a signatory of the United Nations Principles for Responsible Investment (UN PRI), a globally recognized voluntary framework for investment entities wishing to address ESG issues. Where consistent with our fiduciary responsibilities, as signatories of the UN PRI, NS Partners commits to the following six principles.

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Incorporate ESG issues into ownership responsibilities policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which it invests.
4. Promote acceptance and implementation of the Principles with asset management participants.
5. Work together to enhance effectiveness in implementing the Principles.
6. Report on its activities and progress towards implementing the Principles.

## II. Governance

NS Partners' board of directors provides oversight of all responsible investment activities. The co-Chief Investment Officers provide management and supervision of responsible investment activities. The Investment Policy Committee attends meetings where new ideas for the portfolio are proposed and relevant ESG factors are discussed and, in addition, monthly regional stock meetings where portfolios are monitored for consistency and alignment with policies and material changes in ESG factors at the individual stock level are discussed.

## III. Integration

NS Partners believes ESG factors can play a material role in determining risk and return of securities, as such consideration of ESG factors forms an important part of the assessment when a new stock is proposed for the portfolio. NS Partners gathers a broad spectrum of data to be used as part of the investment research process directly from companies and through primary sources such as Bloomberg and MSCI.

The ESG factors NS Partners considers include but are not limited to:

### Environment

- Carbon emissions
- Net Zero alignment
- Other greenhouse gas emissions
- Waste products
- Water usage/management

### Social

- Human Rights
- Compulsory/child labour
- Workplace safety
- Responsible supply chain management/procurement
- Diversity
- UN SDG Policies

### Governance

- Shareholder rights
- Board diversity and independence
- Executive Compensation
- Corruption
- Disclosure

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NS Partners also utilizes ESG scores from MSCI and ESG data from Bloomberg. Current scores as well as the change in scores over time are incorporated into the investment research process. The portfolio is monitored on an ongoing basis for significant deterioration of a stock's ESG score or momentum, any material change in ESG related risks or controversies and when applicable this information is reviewed in the monthly stock meetings.

NS Partners does not believe that a commitment to responsible investment can be fulfilled by analysis alone, we believe engagement with the companies we invest in is crucial to deepening our understanding of the risks associated with relevant ESG factors and driving improvements in disclosure and transparency on ESG factors.

Additionally, NS Partners conducts in-house country research, which includes analysis of shorter-term political risks and longer term ESG momentum, in particular governance, corruption and institutional quality analysed at a country level.

### **IV. Engagement**

“Engagement” refers to interactions NS Partners may have with companies to exercise influence in relation to ESG issues. As an investment manager, NS Partners is committed to encouraging companies to adopt policies that enhance long term financial performance. Our objective for engagement is generally to promote disclosure and transparency regarding ESG risks and factors.

The investment team regularly meets with company management and addresses any relevant ESG concerns in these forums. NS Partners also uses proxy voting as a route to engage with companies, in cases where we are considering voting against management, we reach out to discuss the issues in greater detail (please see Proxy Voting section below).

### **V. Collaboration**

In addition to conducting direct engagements with issuers, NS Partners may also participate in collaborative engagements and initiatives. These collaborations may involve other institutional investors, industry associations or advocacy groups and help us to pool resources and speak with a stronger unified voice to protect the interests of shareholders in the companies in which we invest on behalf of our clients. As a signatory of the UN PRI, NS Partners utilize the UN PRI Collaboration Platform as a source of collaboration opportunities

The following lists NS Partners' collaborative initiatives:

- Principles For Responsible Investing (PRI)
- Climate Action 100+
- Task Force on Climate-Related Financial Disclosures (TCFD)
- International Corporate Governance Network (ICGN)

## VI. Proxy Voting

NS Partners maintains a custom proxy voting policy and utilizes the proxy research and voting services of Institutional Shareholder Services (ISS) to help assess and vote proxies in accordance with this policy. ISS prepares recommendations for all proposals on which we are entitled to vote. NS Partners uses these recommendations as a guide; however, certain situations will warrant additional review. Where there is a recommendation to vote against management, we reach out to the company to gain a better understanding of the issue at hand. As a result of this engagement and our assessment of the relevant information, NS Partners may choose to vote contrary to the ISS recommendation.

As a signatory of the UN PRI NS Partners takes into account ESG implications in our proxy voting. Specific proposals related to ESG issues will be reviewed and analyzed on a case-by-case basis. However, NS Partners will generally vote in favour of proposals that seek to improve disclosure of environmental risks, generally vote in favour of shareholder proposals to improve transparency regarding social issues, and generally vote in favour of proposals that encourage good governance and greater independence - provided it is in the best interest of shareholders.

## VII. Conflicts of Interest

Conflicts of interest can arise. FCA Principle 8 and SYSC 10 place an obligation on firms to manage conflicts of interest fairly. We have a firm-wide policy that sets out how we will deal with actual or potential conflicts of interest. We seek to create an environment where staff awareness of conflicts of interests and potential conflicts of interests is conducive to identifying, preventing and resolving issues as they arise. Our core aim, is to always act in the best interests of clients, seeking to treat clients fairly in every interaction and communicate with them in an open and transparent manner.

## VIII. Reporting

### Proxy Voting

NS Partners provides a summary of its proxy voting record to its clients on a quarterly basis. Additional information is available to our clients on request.

### UK Stewardship Code

Under COBS of the FCA Handbook, NS Partners is required to make a public disclosure in relation to the nature of its alignment to the UK Stewardship Code. This is required annually and is available on our website. NS Partners is not currently a signatory to the UK Stewardship Code.

### United Nations Principles for Responsible Investment

Since 2016, we have been signatories to the UN PRI. As a signatory, we report annually on our ESG activities, which includes stewardship and voting activities.

### Responsible Investment Report

NS Partners reports annually on the firm's ESG related activities and responsible investing initiatives in our annual Responsible Investment Report, available on our website.

**Climate-Related Disclosure**

As a supporter of the TCFD recommendations, NS Partners will publish its own TCFD-aligned disclosure, which will describe its approach to identifying, assessing, and managing climate-related risk in its investment process. Portfolio carbon footprint related data is disclosed under NS Partners' annual Responsible Investment Report.

**Responsible Investing Policies**

NS Partners policies are reviewed annually and are available on our website.