

## **KBI Global Investors Responsible Investment Policy**

### **Overall approach to Responsible Investing**

Responsible investing is a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.

Our approach encompasses all aspects of responsible investing, as set out below.

**Integration:** we explicitly include ESG issues in investment analysis and decisions for all of our portfolios, to better manage risks and improve returns.

**Screening:** we apply filters to potential investments to exclude companies for investments based on the preferences, values and ethics of our firm and those of our investors.

**Thematic:** for some of our portfolios, we seek to combine attractive risk/return profiles with an intention to contribute to specific environmental and social outcomes.

**Engagement:** we discuss ESG issues with companies to improve their ESG performance, including their ESG disclosures, and we do this both individually and in collaboration with other investors.

**Proxy Voting:** we formally express approval or disapproval of the handling by companies of ESG issues through voting on resolutions at company shareholder meetings.

We implement Responsible Investing principles because firstly we believe that the use of ESG factors has positive effects on the risk and return of investments, and secondly because the use of RI principles in managing investments can help to achieve ESG goals which are worthy of achievement in their own right, and which are also in the best interests of long-term investors.

We recognise that as an investment manager we must exercise a fiduciary duty to our investors. Fiduciaries should act with due care, skill and diligence, investing as an ordinary prudent person would. In our view, this includes:

- incorporating financially material ESG factors into our investment decision making, consistent with the timeframe of the obligation,
- being an active owner, encouraging high standards of ESG performance in the companies in which we are invested, and
- supporting the resilience and stability of the financial system.

We consider the principal adverse impacts of investment decisions on sustainability factors, i.e., environment, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, as set out below.

Environmental and Social factors are a fundamental underpinning of our **Natural Resource Strategies**, grounding the investment premise for our Water, Energy Solutions, Sustainable Infrastructure and blended strategies. Our team applies its expertise to evaluate the implications of environmental challenges, evolving world demographics, and opportunities in environmental solutions and then integrates these assessments into the overall fundamental assessment of companies. The Environmental, Social and Governance performance of a company and the principal adverse sustainability impacts of a decision to invest in that company are considered as part of our analysis of a company and are highly material factors in all investment (buy/sell/position sizing) decisions. We have determined, and published on our website, a list of material ESG factors and principal adverse indicators which we consider when assessing the ESG performance and principal adverse impacts of a company.

We Engage with companies where we identify particular Environmental, Social or Governance risks or issues. We also measure the Impact of our strategies (using alignment with the United Nations Sustainable Development Goals as a proxy), using our Revenue Aligned SDG Score ('RASS') methodology.

Responsible Investing is explicitly integrated into our **Global Equity Strategies**. These portfolios are constructed so that the overall ESG rating of each portfolio is materially higher than the benchmark. The Environmental, Social and Governance performance and principal adverse sustainability impacts of a decision to invest in the company are considered as part of our analysis of a company and are material factors in all investment (buy/sell/position sizing) decisions.

We Engage with companies where we identify particular Environmental, Social or Governance risks or issues. Some portfolios also exclude investment in certain controversial sectors, as determined by the Responsible Investing committee, and exclude investments in companies that score the worst overall ESG grade ("CCC") from MSCI ESG Research. We target a better overall ESG "score" than the relevant benchmark for each portfolio, and for a lower carbon intensity.

We believe that there is a connection between dividend payments and corporate governance standards. Identifying companies with the ability to pay sustainable dividends, we believe, is a unique way to identify better governed companies, particularly in emerging markets. Firm-level corporate governance provisions matter more in countries with weaker legal environments or political instability and better governance is typically associated with higher dividend payouts. While equity investors can receive returns through capital gains or dividends, agency theory indicates that shareholders may prefer dividends, particularly when they fear expropriation by insiders; have concerns over the motivations of management; or there is a weak regulatory environment.

A very small percentage of our assets under management are invested in asset classes other than equities, and these assets are managed by external managers. For investments in fixed income securities, we seek to invest in collective investment schemes which are managed by PRI signatories and which have an appropriate responsible investing policy. For corporate bonds, we invest in collective investment schemes which have a similar screening policy to that which we apply in the management of our internally managed equities, where possible. For investments in property/real-estate funds, we will review the sustainability and/or responsible investing activities and policies of the external manager as part of our selection process and as part of our ongoing due diligence oversight. For all our investments with external managers (external collective investment schemes) we may Engage with the manager and/or exercise our votes as unitholders on relevant ESG issues, in line with the principles laid out in this Policy.

### **Climate Change and the *Paris Agreement* goals**

We strongly support the aims of the Paris Agreement and believe that climate change poses a material risk to long-term investors, and that investors can and should support climate change mitigation and climate change adaptation. Our policy is to support the aims of the Paris Agreement in a variety of practical ways, including but not limited to efforts to reduce the greenhouse gas emissions of our own operations and of investment portfolios which we manage, and collaborative and/or direct engagement with investee companies to encourage their alignment with the Paris Agreement goals.

We formally support the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

### **Initiatives and Industry Organisations.**

We are members or supporters of, or signatories to, various Responsible Investing organisations and initiatives. These include (as of the date of this policy);

- Supporter of the Taskforce of Climate Related Financial Disclosures.
- Member of CERES
- Member of the Institutional Investors Group on Climate Change
- Member of SIF Ireland.
- Supporter of the “Paris Agreement” on climate change
- Member, CDP (formerly the Carbon Disclosure Project)
- Signatory to the United Nations Principles of Responsible Investment (“PRI”).
- Member of Climate Action 100+
- Member, Boston Area Sustainable Investment Consortium.

We are also members of two industry organisations in Ireland which are not specifically oriented towards Responsible Investing. These are the Irish Association of Investment Managers and the Irish Association of Pension Funds. In both cases we regularly review and monitor the policy activities of those organisations and our Chief Executive Officer confirms to the Responsible Investing Committee annually that the policy activities of these organisations are consistent with our position on sustainable finance and our commitment to Responsible Investing.

### **Governance**

The firm’s Responsible Investing Committee has oversight of, and responsibility for, all Responsible Investing related issues. This committee comprises of senior staff from the investment, client servicing, operations and compliance teams, co-chaired by the Chief Investment Officer and the Head of Business Development. This Committee decides on all Responsible Investing policy issues and ‘hires and fires’ external providers of ESG research and related services. The committee is constituted as a sub-committee of the firm’s Executive Committee and has formal Terms of Reference.

### **SRI Screening**

Our portfolios do not invest in companies manufacturing land mines, cluster bombs, depleted uranium, biological and chemical weapons. We also do not invest in companies which have a significant involvement with coal-fired electricity generation or coal extraction (mining), or in companies that repeatedly violate one or more of the ten principles of the UN Global Compact, or which manufacture tobacco products.

Some of our portfolios exclude companies that have material connections to certain controversial industries, e.g., predatory lending and weapons, and exclude investments in companies with the lowest overall ESG score as calculated by an independent external ESG research company.

These firm-wide screens are updated from time to time based on evolving investors preferences and regulatory developments.

It is our policy to facilitate clients who wish to exclude investment in certain companies or sectors, on a separate account basis, using either lists of securities supplied by the client and/or using negative screens provided by an external provider.

## Proxy Voting

A Proxy Voting Policy is in place and is reviewed annually by the Responsible Investing Committee. Below are the high-level principles – full details are contained in that policy which is available to the public via our website.

- We vote all proxies for all securities where we are able to do so.
- Our approach in exercising our proxy votes is to follow the principles of the UN PRI. In practice this means that we employ ESG risk indicators to identify moderate to severe ESG risk factors within companies and hold culpable board members accountable for failure to sufficiently oversee, manage or guard against material ESG risks. We particularly focus on transparency and reporting, and we generally support shareholder initiatives insofar as they request enhanced transparency on ESG issues.
- We disclose to clients and to the public full details of all our votes, including the rationale for our vote in every case.
- We use the services of an external specialised proxy advisory firm to provide us with voting recommendations and to carry out the administration and execution of our voting decisions.
- Notwithstanding the use of an external proxy advisor, the final decision on all votes remains with our firm.
- The firm's Proxy Voting Committee, a sub-committee of the Responsible Investing Committee, has responsibility for adjudicating on votes where the Portfolio Manager disagrees with the recommendation from the external proxy advisor and such other controversial votes as may be referred to it, and for managing any conflicts of interest between our firm and the portfolios we manage, or the issuers of securities owned by the portfolio.
- We may notify investee companies of our voting decision either before or after the vote, and we will explain our decision to any investee company on request.
- If stock lending is carried out for a portfolio, the Portfolio Manager is notified of forthcoming proxy votes in good time so that the PM can request the stock be recalled from loan to allow our vote to be exercised.

## Engagement

The firm has an Engagement Policy which is reviewed regularly by the Responsible Investing Committee.

That policy (which is available to the public on our website) sets out in detail our approach to engagement, which follows the high-level principles below.

- Engagement is carried out both individually and in collaboration with other investors.
- The aim of our ESG Engagement activity is to improve the ESG performance, including ESG disclosures, of companies in which we invest or may invest.
- The Responsible Investing Committee will set out strategic priorities for engagement, but engagement may be initiated for a range of reasons and is not limited to those priority topics.
- Engagement activity is logged, including whether the objective of the Engagement is achieved in full or in part.
- Engagement activity is reported to clients and the public on a regular basis, including in our annual Responsible Investing report. In rare cases we may not disclose the name of a company with which we are engaging if to do so would make the achievement of the outcome of the engagement less likely.

## **Reporting & Measurement**

We report on many aspects of our Responsible Investing activity.

We report full details of all our proxy votes on our website, made available to the public, including the voting rationale behind each vote.

We publish an annual Responsible Investing report, with details covering all aspects of our Responsible Investing activities and policies.

For our Global Equity strategies, the portfolios are constructed so that the overall ESG rating of each portfolio is materially higher than the benchmark, and the carbon intensity is lower than the benchmark.

We measure and report on the extent to which investments in our Natural Resource equity strategies are aligned with the achievement of the United Nations' Sustainable Development Goals.

For investments in our Global Equity Strategies, we report on a quarterly basis on the ESG "score" of each strategy, and a detailed comparison of the score of that strategy compared with that of its benchmark.

We measure and report periodically on the carbon footprint and related data of our main portfolios.

Internally, the Responsible Investing Committee formally reports to the firm's Executive Committee which in turn reports to the company's Board.

## **Training:**

Given the ever-evolving nature of Responsible Investing, it is our policy to provide significant training to relevant staff, including investment staff and dedicated responsible investing staff in particular, in order for them to develop and maintain their knowledge and expertise in this field. The Responsible Investing Committee reviews training needs twice annually.

## **Conflicts of Interest**

KBI Global Investors always endeavours to act in the best interests of its clients. The firm has a robust Conflicts of Interests policy in place which is made available to all staff and published on the company website. Where conflicts do arise, they are always reviewed bearing the client's best interests in mind.

## **RI Policy Governance**

KBI Global Investors' Responsible Investing committee is responsible for reviewing the Responsible Investment Policy and recommending it for final approval to the KBI Global Investors Executive Committee. The Responsible Investing committee reviews the policy at least annually and recommends any necessary changes.

Approved by Responsible Investing Committee on December 9<sup>th</sup>, 2021.