

Responsible & Sustainable Investment Statement

Nanuk Asset Management

March 2019

Purpose

This document sets out Nanuk's approach to responsible and sustainable investment and places it in context with the discrete investment approaches that are typically applied, often in combination, within the broadly defined area of "responsible" investing. It details Nanuk's approach to company inclusion (positive screening) and exclusion (negative screening) and how environmental, social and governance (ESG) factors and social and ethical values and norms are integrated into Nanuk's investment process. It also demonstrates the resultant sustainability related outcomes.

Introduction to Nanuk

Nanuk Asset Management was formed in 2009 to develop world-class investment expertise in the areas of environmental sustainability and resource efficiency and to assist its clients address the related opportunities and risks.

Nanuk's business is wholly-focused on investing globally in listed companies whose activities and practices contribute to or benefit from the transition to greater global environmental sustainability and resource efficiency.

Nanuk's Beliefs and Investment Approach

Nanuk's core belief is that resource constraints and environmental challenges like climate change, pollution and water scarcity necessitate significant changes to business practices globally and that these changes will introduce many investment opportunities and risks in the coming decades.

Nanuk's focus is global and the firm invests in companies having a material proportion of their activities in industries that are contributing to or benefiting from the global transition to greater environmental sustainability and resource efficiency.

Nanuk believes that successful investment in these areas is critical in facilitating the global transition, as it:

1. improves the efficiency of capital allocation, and
2. facilitates better long-term decision-making through broad engagement with stakeholders, including corporate leaders and the public.

Nanuk considers environmental sustainability in a holistic and global context, investing in companies that are contributing positively at an extrinsic level. Putting this another way, Nanuk invests in companies whose activities and business practices will supplant existing unsustainable practices.

Nanuk specifically excludes companies that contravene accepted norms for environmental stewardship, however it is also acknowledged companies with high ESG scores and low environmental footprints may not necessarily contribute to improving global environmental sustainability and resource efficiency. Consequently, Nanuk's investment approach does not specifically target investment in companies having intrinsically low environmental impact in their own right.

Nanuk employs an active fundamental investment approach aimed at identifying companies that have been mispriced by the market relative to their intrinsic valuation. The primary focus of Nanuk's investment process is

the assessment of valuation (leading to valuation-based price targets) and risk. Nanuk believes that environmental, social and governance (ESG) factors are important considerations in assessing both valuation (through their impact on forecast cash flows and discount rates) and risk.

Nanuk believes there is a strong link between corporate governance practices and long-term shareholder value creation. Factors shown to be linked to longer term performance and indicative of higher risks are specifically considered in company analysis and investment decision making.

Nanuk's Approach to Responsible Investment

Since its formation, Nanuk has been committed to investing sustainably and managing responsibly. Nanuk's responsible investment approach is driven by two priorities:

1. Nanuk's fiduciary responsibility to act in the long-term best interests of our clients, and
2. Nanuk's purposeful investment in industries that contribute towards or benefit from greater global environmental sustainability and improved resource efficiency

Nanuk's commitment to **managing responsibly** is grounded in the firm's Statement of Values which emphasizes the cultural and business principles by which the firm stands. Nanuk's commitment to **investing sustainably** is inherent in the firm's clearly defined focus on investing in industries that are contributing to or benefitting from the transition to greater global environmental sustainability and resource efficiency.

Nanuk's investment strategies offer lower than average sustainability risk and provide above average exposure to listed companies whose activities materially contribute to sustainable development. As a result, Nanuk's investment strategies are aligned with the achievement of the UN's Sustainable Development Goals (SDG's).

It is Nanuk's belief that responsible, sustainable investing in activities consistent with environmental sustainability and resource efficiency will become mainstream across the asset-owning and asset-managing communities in years to come.

Sustainable, Responsible and SRI Investing

Sustainable, Responsible and SRI investing are terms used interchangeably to describe a broad range of investment strategies that involve the integration of environmental, social and governance ("ESG") considerations into investment processes and decision-making. These strategies are typically aimed at either improving risk and return outcomes, or achieving positive societal and environmental outcomes, or a mixture of both.

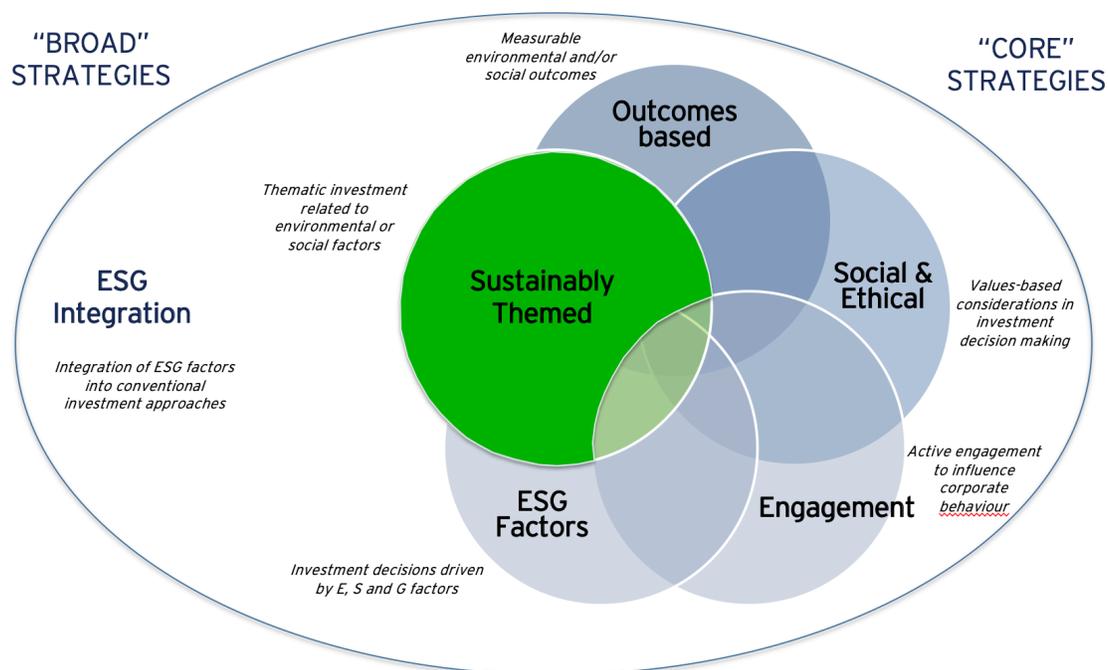
There are several distinct, but not mutually exclusive, strategies falling within the broad definition of "responsible" investment.

Strategies can be either:

1. "**broad**", involving the integration of E, S and G considerations within conventional investment frameworks (which account for the majority of global responsibly managed assets under management),
or
2. "**core**", involving more focused strategies that seek to achieve combinations of financial and/or specific non-financial outcomes such as social or environmental change. "Core" strategies often involve E, S and G integration.

“Core” responsible investment strategies may be categorized within the following framework:

1. Sustainably Themed
2. Ethical
3. Impact
4. Engagement
5. ESG integration



An investment strategy or fund may fall within more than one category. There are different approaches to implementation of these responsible strategies, including positive screening, negative screening, best-in-class, best-in-sector and company engagement/proxy voting. Responsible investment strategies may be active or passive. The choice of approach will impact the specific financial and non-financial outcomes of a particular investment strategy or fund.

Nanuk’s New World Fund is a “core” Responsible Investment product. It is Sustainably Themed, Ethical and incorporates ESG Integration. The Fund’s primary, financial, objective is to generate excess return through active fundamental investment in industries associated with long term secular global trends related to environmental sustainability and resource efficiency. The Fund provides clear non-financial outcomes through ethical and ESG related exclusions, and through the higher than average contribution of investee companies to the delivery of basic needs for global sustainable development.

The strategy utilizes both positive (inclusionary) and negative (exclusionary) screening and ESG integration within a conventional, valuation based, active, fundamental approach. Nanuk’s incorporation of these approaches is described further below.

Approach	Description	Adoption		Nanuk's approach
Positive Screen Sector	Inclusion of companies with material exposure to selected industries	Explicitly	✓	Our core investment approach - investing in sectors delivering global improvement in resource efficiency and environmental sustainability
Positive Screen ESG	Inclusion of companies with strong ESG metrics	Implicitly	✓	Positive sector based screening provides implicit positive E based screening. Nanuk's investment process favours companies with strong governance metrics
Negative Screen Sector	Exclusion of companies in selected sectors eg Tobacco, Nuclear, Weapons	Explicitly & Implicitly	✓	Values-based and norms-based sector exclusions specifically preclude 1750+ companies from Nanuk's investment universe
Negative screen ESG	Exclusion of companies with poor ESG metrics	Explicitly & Implicitly	✓	Values-based and norms-based exclusions related to serious E, S and G violations preclude stocks from Nanuk's investment universe. Nanuk's investment process typically precludes investment in companies that demonstrate poor governance standards, buy allows for investment where significant improvement is evident
ESG Integration	ESG factors incorporated in the analysis and stock selection process	Yes	✓	ESG factors are considered in the investment process and integrated in a pragmatic manner into valuation, risk assessment, portfolio construction and fund review.
UN SDG's	Investment in companies that contribute to the UN's 17 Sustainable Development Goals	Yes	✓	The portfolio provides material, diversified investment exposure to companies that contribute towards achievement of the UN's 17 Sustainable Development Goals
Impact Investment	Investment to generate specific & measurable environmental and/or social outcomes	No	✗	
ESG Engagement	Manager engagement with companies held in the portfolio on ESG issues	Limited currently	✗	Nanuk regularly votes on company management issues including ESG but limited direct company engagement on ESG issues
Best of Sector & Best in Class	Inclusion of companies having the strongest ESG metrics within each sector or class	Not applicable	✗	

Positive Screening

Positive (inclusionary) screening associated with Environmental (E) factors is intrinsic to the firm's investment approach. Nanuk's investment universe is defined around eight broad sectors or technology groupings selected due to their:

1. contribution to achieving greater global environmental sustainability and resource efficiency for the benefit of the world and future generations, and
2. inherent characteristics (eg growth, complexity, disruption), which provides a rich and attractive opportunity set for the extraction of excess investment returns.

The eight sectors making up Nanuk's investment universe are:

- Clean Energy
- Energy Efficiency
- Industrial Efficiency
- Waste, Pollution & Recycling
- Food & Agriculture
- Advanced & Sustainable Materials
- Water
- Healthcare Technology

To be included in Nanuk's investable universe and portfolios, a company must derive at least 25% of its value from activities within these eight sectors, ensuring that a material proportion of each investee company's activities are contributing in a clear way to improving global environmental sustainability and resource efficiency.

Negative Screening

Nanuk's focus naturally precludes investment in many industries that do not align with the firm's values and sustainability focus and in companies whose practices are known to contravene environmental, social and ethical norms. Nanuk's exclusions framework is applied in combination with the inclusive positive screening process such that companies must pass both tests to be included in Nanuk's investable universe and portfolios.

Sector	Exclusion Criteria	Identified Exclusions
Climate Change, Fossil Fuels & Environment	Revenue and Norms Based	915
Coal & Coal Based Energy	Mining, Exploration & Extraction > 0% Coal Fired Generation > 10% Services & Equipment Supply > 30%	239
Oil & Gas	Exploration, Extraction, Production & Refining > 0% Services & Equipment Supply > 30% Oil Fired Generation > 5% Gas Generation > 30% and Gas > Renewable Generation	627
Uranium & Nuclear Power	Uranium Mining & Refining > 0% Nuclear Generation > 10% and Nuclear > Renewable Generation	26
Severe Environmental Damage	Norms-Based Criteria, case by case	23
Weapons	Revenue Based	168
Cluster Munitions & Anti-Personnel Landmines	Production & Manufacturing > 0%	8
Nuclear Weapons	Production & Manufacturing > 0%	15
Military Contracting & Equipment	Services & Equipment Supply > 10%	123
Weapons and Small Arms	Production & Manufacturing > 0%	22
Ethical Values and Human Rights	Revenue and Norms Based	714
Adult Entertainment	Production, Manufacturing, Sales & Distribution > 0%	5
Alcohol	Production & Manufacturing > 0%	271
Correctional Facilities	Ownership, Management, Operation & Service Provision > 0%	2
Gambling	Ownership, Management & Operation > 0%	211
Gross Corruption	Norms-Based Criteria, case by case	3
Tobacco	Production & Manufacturing > 0%	179
Serious Violations of Human Rights and Ethical Norms	Norms-Based Criteria, High-Risk Countries / Areas, case by case	43
Total Exclusions		1,797

Exclusion decisions may take into account a company's involvement in renewable energy or other contributions to environmental sustainability and resource efficiency. Exceptions to the exclusion criteria may be made in circumstances where a relevant business is discontinued or marked for sale. As at 31 Dec 2018.

The firm recognizes that companies whose activities are contributing to greater global environmental sustainability and resource efficiency may also be involved in contentious areas, either directly or indirectly as suppliers of products and/or services.

Aligned with its intention to assist in the global transition to greater environmental sustainability and resource efficiency, Nanuk's exclusions framework is constructed in a pragmatic manner and will permit investment in the following circumstances:

- a) where a company is making a positive contribution to improving global sustainability and resource efficiency yet may have indirect involvement in contentious areas, and
- b) where a company's involvement in, or transition towards, sustainable technologies and practices outweighs limited involvement in contentious areas and/or activities.

Nanuk does not invest in companies having a material proportion of their primary business activities in contentious areas specified in the table above and which are not involved in the transition to environmental sustainability and resource efficiency.

Company specific factors such as contingent environmental liabilities are considered as part of Nanuk's conventional fundamental analysis.

ESG Integration - Overview

Nanuk seeks to integrate E, S and G factors in a pragmatic manner, aligned with the achievement of portfolio risk and return objectives.

The firm's holistic approach to global environmental sustainability and resource efficiency, and focus on companies' extrinsic contribution to improving global sustainability, is incorporated in E-based positive screening, as described above.

Environmental and Social risks are in part addressed through comprehensive negative screening, but also through consideration of risk factors in fundamental company analysis. Governance factors are considered in a consistent and pragmatic manner in the fundamental analysis of all investments, as outlined in more detail below.

ESG Integration – ESG Scoring

Nanuk integrates ESG factors into its decision-making process through sustainability based positive screening, ESG based negative screening and consideration of E,S and G related risks in the investment process. However in doing so, Nanuk does not optimize portfolios on the basis of ESG related ranking or scoring. The following examples illustrate the rationale:

1. Nanuk does not typically invest in companies in the Finance sector, where ESG scores are typically high (due to for example low carbon footprints and 'best practice' board structures), unless the activities or services provided by these companies are considered as making a material contribution to environmental sustainability and resource efficiency;
2. Nanuk specifically invests in industries or technologies that are contributing to or benefitting from improving longer-term global environmental sustainability and resource efficiency. Companies involved in these areas include those that manufacture electric drivetrains and components, as well as those that manufacture lithium-ion batteries and related materials. Companies mining and processing lithium are an important enabler in the global transition towards more environmentally sustainable transport aimed

at reducing greenhouse gas emissions but may score poorly insofar of their environmental metrics when considered in isolation; and

3. Nanuk does invest in companies engaged in recycling activities, including recycling of waste products (household, industrial) as well as recycling of auto parts (car bodies, internal combustion engines) which, while improving sustainability, may score poorly on environmental metrics when considered in isolation.

ESG Integration - Governance

Nanuk believes that there is a strong link between corporate governance and long-term shareholder value creation. Alignment of interest between company directors and management and common shareholders is a primary consideration in understanding and assessing company valuation and risk. Nanuk has identified 5 key aspects of governance which it considers material in understanding this alignment of interest:

- Ownership
- Board & Management
- Compensation
- Accounting
- Corruption

Impact Investing

Nanuk's primary objective is to deliver robust risk and return outcomes to its clients through its sustainably-themed investment approach. Investment decisions are made on this basis, not in relation to specific environmental or social impact outcomes.

Engagement

Nanuk's investment team engages with and conducts meetings with corporate management in relation to current and prospective investee companies. The firm does engage with management teams on sustainability and governance issues as they arise in the normal course of business, but it does not place specific emphasis on investor activism in relation to ESG issues.

Nanuk sees itself as a leader in investments associated with environmentally sustainable and resource efficient technologies and practices and believes that it facilitates better long-term decision-making through engagement in public and policy discussion related to sustainable development.

Proxy Voting

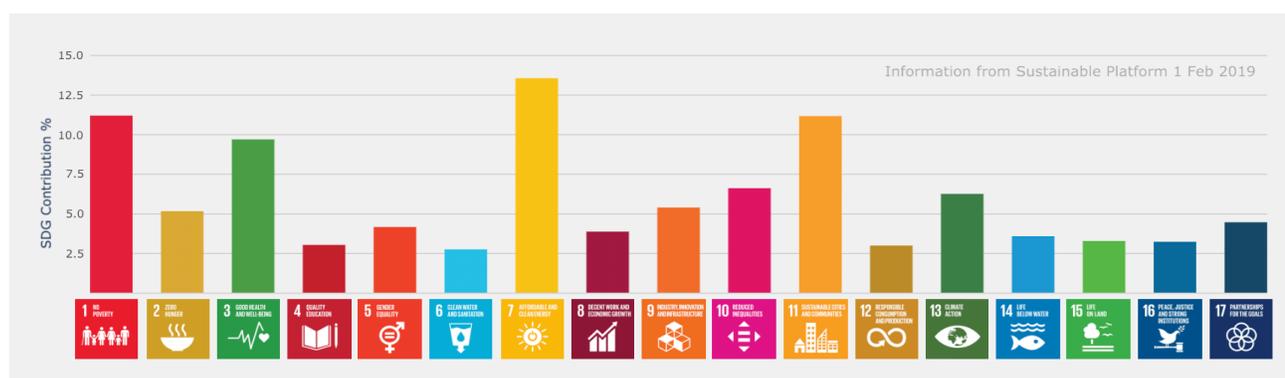
Nanuk's approach to proxy voting is guided by the belief that investment decisions should favour proposals that maximize shareholder value and are free from conflicts of interests. Nanuk will vote against proposals that it identifies as being at odds with the firm's views on sustainable business and governance practices.

Outcomes - Sustainable Development and UN SDGs

The activities of companies within Nanuk’s proprietary investment universe typically demonstrate a clear connection with the delivery of the UN’s Sustainable Development Goals (SDG’s) and the ‘basic needs’ that underpin them. Nanuk utilizes the services of an independent research house to analyse company and portfolio sustainability risk and contributions to the delivery of basic needs which underpin the UN’s SDGs – for example, in areas such as food, health, transport, energy and waste.

Mapping of portfolio company activities to basic needs, and then to the UN SDG’s, shows the largest contributions are made in the following areas:

- Affordable & Clean Energy
- Sustainable Cities & Communities
- No Poverty
- Good Health & Wellbeing



Sustainability Revolution

The **agricultural revolution** marked a dramatic increase in agricultural productivity through improved farming practices and mechanisation. The **industrial revolution** of the 18th and 19th centuries marked the transition to new manufacturing processes towards powered, special purpose machinery, factories and mass production. The **digital revolution** commenced in the 1980s and marked the transition from electronic and mechanical devices to digital technology.

Climate change, pollution, environmental degradation, resource scarcity and demographics are key drivers behind a notable shift in public opinion, corporate behaviour and public (government) policy towards more environmental sustainability and resource efficiency.

Nanuk believes that a **sustainability revolution** has commenced, whereby sustainable technologies are reaching economic viability which will surpass and supplant existing unsustainable technologies and industries in coming decades. This unstoppable sustainability trend is evident in the practices of global, publicly-listed companies which populate the 8 industry groupings defined in Nanuk’s investment universe. As at January 2019, Nanuk’s investment universe comprised over 900 securities, accounting for more than 10% of the global listed equity market capitalisation. In line with major transitions seen in prior “revolutions”, it is Nanuk’s belief that responsible, sustainable investing in the environmental sustainability and resource efficiency themes will become mainstream in years to come.

Statement of Values

Nanuk's commitment to managing responsibly is grounded in the firm's Statement of Values which emphasizes the cultural and business principles by which the firm stands.

Statement of Values

- **Trust** and **Integrity** are the foundation of all of our actions.
- **Responsibility** is first and foremost to our clients who have entrusted us with their capital, and also in positively contributing towards a more sustainable world for future generations.
- **Transparency** and **Clarity** are central to our relationships with our clients and the way we work within our firm.
- **Open-mindedness** and **Independence** of thought, combined with analytical rigor, are critical in developing and applying our investment insights.
- **Respect** for others and **Diversity** of opinion allow us to challenge and sharpen our perspective, helping us to make the best decisions and achieve the best outcomes.
- **Collaboration** and **Teamwork** are central to how our investment ideas are formed and translated into investment actions.
- Our **Passion** for investing and our pursuit of **Excellence** compel us towards the achievement of long-term investment success for our clients.

Nanuk is a member of the following peak bodies:



Signatory of:



Certification

The Nanuk New World Fund has been certified by the RIAA as a Responsible Investment and an Ethical Investment according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.



CERTIFIED BY RIAA

This certification signifies that the **Nanuk New World Fund** offers an investment style that takes into account environmental, social, governance and ethical considerations. The Responsible Investment Certification Program does not constitute financial product advice. For further details see www.responsibleinvestment.org.