Nanuk Asset Management
Stewardship Policy
Updated January 2023

Purpose

This document sets out Nanuk's approach to investment stewardship and 'active investment'.

The policy should be read in conjunction with the firm's Sustainability and ESG Policies.

Background

Nanuk's investment philosophy and approach are centred around the investment implications of sustainability, as outlined in our Sustainability Policy.

We invest exclusively in companies that we believe are contributing positively towards improving global environmental sustainability and in a manner that aligns with our belief that the global economy, and society more generally, must become more sustainable over time.

We believe that the capability of companies' management, the alignment of their interests with ours, the sustainability of companies' activities and the sustainability of their relationships with their key stakeholders (creditors, customers, employees, suppliers, communities, government and society) can be material to their longer term profitability and economic value, and to our clients' investment outcomes as minority shareholders.

Where practical and aligned with our clients' interests, we may seek to influence companies to improve their impact on global sustainability outcomes and the sustainability of their governance and business practices.

In determining our stewardship priorities and actions we make reference to both our own assessment of the sustainability of company practices as well as internationally recognized frameworks including the the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the UN Sustainable Development Goals.

Approach

Our approach to stewardship involves

- Comprehensive proxy voting in accordance with a sustainability aligned voting policy
- 'Top down' engagement with the majority of investee companies
- Selective direct engagement with investee companies on company specific issues
- Selective indirect engagement in collaboration with others via a joint engagement program

Proxy Voting

We undertake comprehensive proxy voting. Voting decisions are made by relevant portfolio managers and are guided by the firm's beliefs and sustainability focus.

We use a proxy voting research provider (ISS) for recommendations made under a sustainability and ESG aligned voting policy – refer to Appendix A.

Voting recommendations are reviewed by the relevant portfolio managers who will recommend exercising our own voting decisions in relation to items that we consider material to economic outcomes and alignment of company decision making with our interest as a minority shareholder. In this regard we pay particular attention to issues such as compensation and incentive arrangements, capital raisings and acquisitions and divestments.

'Top-down' Engagement

We seek to communicate, over time, with the directors of our investee companies, setting out our core beliefs and expectations in relation to the governance and sustainability practices and, where relevant, areas in which we see opportunities for improvement that are aligned with better outcomes for our clients' and broader sustainability outcomes.

Our top down engagement is directed towards a limited number of issues that are common constraints to longer term value creation for minority shareholders, namely:

- Complex or inequitable ownership structures
- Misaligned executive compensation structures
- Excessive use of stock based compensation
- Lack of transparency
- Misleading reporting
- Sustainability of products and services
- Alignment with science-based climate targets
- Environmental impact and reporting

Other issues identified by the relevant portfolio manager(s) may be addressed within the top down engagement process.

Top down engagement is typically undertaken following the commencement of investments with the intention that, over time, it will undertaken in relation to all investee companies.

Our standard, 'pro-forma', engagement letter is attached to this policy as Appendix B.

Direct 'Bottom-up' Engagement

Direct engagement targeting company specific issues may be undertaken on a selective basis with portfolio companies for which opportunities for improvement in governance and sustainability are identified through our investment research.

Company engagement is a core part of Nanuk's investment approach, and we speak with management or IR representatives of most of the companies in which we invest. The interactions with companies are primarily directed at understanding the economic drivers of the businesses and the manner in which they are being managed, and concerns or questions regarding the sustainability of company's activities or relationships with stakeholders are often raised in these discussions.

Where specific opportunities for improvement are identified, portfolio managers are encouraged to formalize the engagement in writing, directing our concerns and recommendations to management and/or directors.

Joint Engagement

Nanuk has engaged an external engagement services provider (ISS) to undertake ESG related engagement activities with selected investee companies on our behalf and in conjunction with other investors. Nanuk will participate in this program to the extent that the proposed activities are aligned with Nanuk's investment holdings and views on governance and sustainability practices.

Implementation

Proxy voting is implemented as follows:

The CIO and Operations Team receive notification of upcoming meetings and related proxy voting research and recommendations from the external proxy voting service provider in accordance with the agreed sustainability aligned voting policy (refer to Appendix A).

Individual Portfolio Managers responsible for relevant investments review external recommendations and advise on any issues on which they may recommend alternative action. Particular attention is directed to issues that we consider financially material - like corporate actions and incentive schemes - and to items on which ISS has recommended voting against the board's recommendations.

Voting recommendations are recorded within Nanuk's internal research database.

The CIO reviews recommendations and will make any final decisions.

Disclosure and Reporting

We believe in providing high levels of transparency to our clients in relation to all aspects of our investment activities and outcomes, including ESG related activities and outcomes.

Details of engagement activities are provided in our annual ESG and Impact Report, available on Nanuk's website.

Detailed reporting on proxy voting is provided in annual Proxy Voting reports, also available on Nanuk's website.

Responsibility

Responsibility for implementation of this policy rests with the CIO and Investment Team.

Related Policies

- Climate Change Policy
- ESG Policy
- Stewardship Policy

Monitoring

The implementation of this policy is monitored by the COO.

Review and Amendments

This policy will be reviewed annually by Nanuk's Managing Director and CIO for subsequent Board ratification.

History

Last reviewed: December 2022

Ratified by the Board in January 2023

Next review: March 2024

Appendix A – ISS Sustainability Proxy Voting Policy

The ISS Sustainability Policy Voting Guidelines are available via the links below

https://www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf

https://www.issgovernance.com/file/policy/active/specialty/Sustainability-US-Voting-Guidelines.pdf

ISS' Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labor practices, non-discrimination, and the protection of human rights. Generally, ISS' Sustainability Policy will take as its frame of reference internationally recognized sustainability-related initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), CERES Roadmap for Sustainability, Global Sullivan Principles, MacBride Principles, and environmental and social European Union Directives. Each of these efforts promote a fair, unified and productive reporting and compliance environment which advances positive corporate ESG actions that promote practices that present new opportunities or that mitigate related financial and reputational risks.

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance.

ISS' Global Voting Principles provide for four key tenets on accountability, stewardship, independence, and transparency, which underlie their approach to developing recommendations on management and shareholder proposals at publicly traded companies.

Accountability

Boards should be accountable to shareholders, the owners of the companies, by holding regular board elections, by providing sufficient information for shareholders to be able to assess directors and board composition, and by providing shareholders with the ability to remove directors.

Directors should respond to investor input such as that expressed through vote results on management and shareholder proposals and other shareholder communications.

Shareholders should have meaningful rights on structural provisions, such as approval of or amendments to the corporate governing documents and a vote on takeover defenses. In addition, shareholders' voting rights should be proportional to their economic interest in the company; each share should have one vote. In general, a simple majority vote should be required to change a company's governance provisions or to approve transactions.

Stewardship

A company's governance, social, and environmental practices should meet or exceed the standards of its market regulations and general practices and should take into account relevant factors that may impact significantly the company's long-term value creation. Issuers and investors should recognize constructive engagement as both a right and responsibility.

Independence

Boards should be sufficiently independent so as to ensure that they are able and motivated to effectively supervise management's performance and remuneration, for the benefit of all shareholders. Boards should include an effective independent leadership position and sufficiently independent committees that focus on key governance concerns such as audit, compensation, and the selection and evaluation of directors.

Transparency

Companies should provide sufficient and timely information that enables shareholders to understand key issues, make informed vote decisions, and effectively engage with companies on substantive matters that impact shareholders' long-term interests in the company.

APPENDIX B – 'Pro-forma' Top Down Engagement Letter

Board of Directors

[Company Name]

[Company Address]

Attention: [addressee]

[date]

Shareholder Perspectives on Governance and Sustainability

Dear [Directors],

I am writing in our capacity as manager of the Nanuk New World Fund (the Fund). The Fund has been a shareholder of [Company Name] since [date] OR The Fund recently became a shareholder in [Company Name].

The Fund holds shares of [Company] because [insert reason for owning the stock]. In particular, [highlight specific expectations in relation to company/market etc].

This letter sets out our core beliefs and expectations in relation to the governance and sustainability practices of investee companies [and our specific comments in relation to [Company Name's] approach to [ ].]

Nanuk Asset Management and Our Approach

Nanuk Asset Management is a specialist funds management business focused on investing globally in listed companies whose activities and practices contribute to improving global environmental sustainability and resource efficiency.

We believe that successful investment in such companies can deliver attractive investment outcomes for clients and will facilitate the global sustainability transition, through improving the efficiency of capital allocation and facilitating better long-term decision-making through broad engagement with stakeholders, including corporate leaders, government, and the public.

We believe strongly that corporate governance practices and certain aspects of sustainability can materially impact the future performance of companies and the extent to which any economic value created will accrue to minority shareholders such as the Fund.

We consequently have a duty to our clients to engage with investee companies to encourage governance and sustainability practices that are aligned with better investment outcomes and improving global sustainability.

Our approach is set out in greater detail in our Responsible and Sustainable Investment Statement, available on our website.

Our Areas of Focus

We focus specifically on four aspects of governance and sustainability, namely:

1. The quality and capability of the board and management, as reflected by their experience and track record and the effectiveness of their decision making
2. The alignment of interest between management and minority shareholders. In this regard we focus on ownership structures, governance structures, executive compensation, transparency in reporting and the risk of involvement in corrupt practices,
3. The sustainability of a company's activities (products and services). In this regard our primary concern is that a company's products and services have ongoing relevance as the global economy transitions towards greater sustainability.
4. The sustainability of relationships with key stakeholders groups, including creditors, customers, employees, suppliers, communities, governments and society more generally. We believe sustainable stakeholder relationships are critical to a company's social license to operate and to its capacity to grow value over the long term. This extends to achieving longer term environmental sustainability and longer-term alignment with science-based target decarbonisation targets.

We believe that strong performance in these areas is likely to result in greater long term value creation and better investment outcomes for shareholders and expect that boards will seek, where possible, to address shortcomings and improve and optimise performance in these areas.

These beliefs inform our voting and are the basis for specific engagement with the companies we invest in..

Our Bases for Engagement

Our engagement is directed towards a limited number of issues that are common constraints to longer term value creation for minority shareholders and encourage investee companies to address opportunities for improvement in these areas as a high priority.

A. <u>Complex or inequitable ownership structures</u>

   Large 'related party' or controlling shareholders, inequitable voting rights and cross ownership structures that may give rise to competing or conflicting interests, whether real or perceived, are likely to impact both executive decision making and equity market valuations.

   We believe listed companies should seek simple ownership structures that provide clear alignment of interest and equity amongst shareholders and allow the company to be managed in the interests of all shareholders and without potential conflicts of interest.

B. <u>Misaligned executive compensation structures</u>

Executives should be incentivised to create ‘economic value’ that accrues to shareholders. Compensation structures rewarding revenue or EBITDA growth, or utilising heavily adjusted accounting metrics, often encourage value destructive behaviour and poor acquisition and capital allocation decisions. Similarly, compensation structures based on short term share price performance are likely to encourage decisions that favour short-term reported profits over longer term economic profit growth.

We believe incentive structures should align with economic profit growth including an appropriate charge for the cost of capital.

C. Excessive use of stock-based compensation

We recognise the importance of stock-based compensation as a component of compensation essential to attracting, retaining and incentivising executives. Stock based compensation is, however, a real claim on the company’s future profits and its value is provided for by a diminution of value for existing shareholders. The widespread ‘adjustment’ of profits to exclude the ‘cost’ of stock based compensation reflects a lack of appreciation of this fact and the general acceptance of these ‘adjustments’ encourages excessive use of stock based compensation as if it is truly ‘costless’.

We believe stock-based compensation is an important component of remuneration and incentive arrangements but its use should be undertaken with a clear understanding of the economic cost to shareholders.

D. Lack of transparency

As equities market investors we seek to assess the prospective value of companies. This is primarily informed by company financial reporting and associated investor materials including supplementary reports, investor presentations and capital markets days. The level of disclosure between companies varies enormously and lack of disclosure often impacts the ability to reasonably assess the prospects of a business, hindering investor interest and by extension its market valuation.

We believe it is in companies’ longer term interests to provide investors with transparent and regular reporting on the performance and strategy for their businesses at a level of detail consistent with the requirements of equities market investors. In addition to providing adequate information alongside regular regulatory reporting requirements, we encourage companies to provide regular capital markets days, at least once every [2] years and following any significant strategic changes.

E. Misleading reporting

The use of ‘non-GAAP’ or ‘adjusted’ reporting is a widespread practice but undertaken in an inconsistent manner that leads to both under and overstatement of economic profits.

We believe that the exclusion of items from ‘adjusted earnings’ that are (i) recurring in nature (such as amortisation of research and development or ongoing restructuring costs) and (ii) involve a real economic cost to the company and its shareholders (such as stock based compensation) is misleading and should be avoided.

We also believe that the failure to present adjusted earnings incorporating items that are both non-cash and non-recurring (such as the amortisation of acquired intangible assets) can be misleading and such adjustments should be undertaken in the interests of providing comparable transparency for investors.

F. Sustainability of products and services

It is clear that very significant structural changes are likely to occur in the global economy over coming decades and the rate of these changes is accelerating in response to government, business and consumer decisions. Whilst we invest in companies providing products and services that are likely to benefit from these changes, many of these companies continue to produce products or serve markets that are likely to decline or disappear over time.

We believe that continued investment in the development or expansion of such products and services is likely to be value destructive in the longer term, even if beneficial to short term profits. We encourage companies to evolve their business and product portfolios in a manner that will achieve better alignment with longer term sustainability outcomes and areas of increase demand over time.

G. Alignment with science-based climate targets

It is also clear that regulation will dictate the decarbonisation of the global economy in coming decades and this process is likely to accelerate dramatically this decade. Whilst we do not believe it is the responsibility of companies to decarbonise their businesses today at the expense of their competitive position and economic value, we do believe that companies have a responsibility to their stakeholders (including shareholders, communities and society at large) to ensure that they and their industries do decarbonise in a manner consistent with science-based climate targets. Practically this requires most industries to achieve net zero emissions by 2050, and to achieve at least a 50% reduction by 2030.

We believe that companies should have a clear plan to decarbonise in line with science-based targets and a commitment to do so.

We also believe that companies should work closely with governments and industry groups to ensure that industry wide decarbonisation frameworks are adopted that permit companies to decarbonise in concert in a manner that does not encourage delayed action. It also follows that companies should not support or associate with industry or political groups that do not advocate for decarbonisation in accordance with science-based targets.

H. Environmental impact and reporting

It is inevitable that regulation will require detailed environmental and sustainability related reporting. The disclosure frameworks provided by organisations such as the Taskforce for Climate related Financial Disclosures are already well developed and increasingly widely adopted.

We believe it is important that companies acknowledge the need for greater environmental sustainability and the importance of reporting to provide transparency in relation to progress in this area. We encourage companies to move early in measuring, reporting and acting on their environmental footprint, as proactive action is likely to be rewarded commercially and by equities markets and delayed or forced action may entail higher costs.

Opportunities for [Company Name]

[Comments in relation to items above and any other company specific opportunities]

Next Steps

Thank you for considering our views.

We seek a collaborative relationship with investee companies and would be pleased to engage further with you for your benefit and for the benefit of our clients.

Kind regards,

Regards,
[PM]