RESPONSIBLE AND SUSTAINABLE INVESTMENT STATEMENT

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Updated November 2026

Purpose

This document summarises Nanuk's approach to responsible and sustainable investment, details how this approach is implemented and how it aligns with the various approaches adopted within the broadly defined areas of ESG and Responsible Investment.

The approach is formalised in the firm's Sustainability, ESG, Climate Change and Stewardship Policies, which are available on the firm's website, and the outcomes of the approach are detailed in the firm's annual Sustainability and ESG Report and Proxy Voting Report.

An Introduction to Responsible and ESG Investment

The terms "Responsible Investment" and "ESG Investment" typically describe investment strategies that have attributes or outcomes of a 'responsible' nature. Confusingly the terms are also used more broadly to describe the concept of "ESG Integration" – the consideration of environmental, social and governance factors within an investment process – which does not necessarily confer that an investment strategy is 'responsible' in nature.

Responsible Investment can be segmented into several, potentially overlapping, approaches with different non-financial outcomes. The approaches can be simplistically divided into a set of approaches that are directed towards investing in "better companies" (or "less bad" companies) and a set of approaches that are directed towards investing in companies that are contributing towards a "better world". In turn, these approaches can be implemented using a variety of different methods potentially resulting in significantly different outcomes – particularly when applied across different asset classes, different investment approaches and varied investment parameters. The approaches include:

- **Ethical** strategies seek to align investment with values and are typically, but not necessarily, implemented through negative screening or removal of non-complying companies or industries.
- **ESG** strategies are varied but involve the systematic consideration of ESG factors typically with the goal of lowering risk. They can be implemented using a variety of different methods with quite different results.
- **Engagement** strategies, as the name suggests, have a focus on improving corporate behavior and decision making (often directed towards specific environmental or social outcomes) and necessarily involve resource intensive direct engagement with companies.
- **Low Carbon** strategies focus on investment in companies with lower carbon emissions or carbon emission intensity. This is not the same as investment in companies providing low carbon and decarbonization solutions.
- **Sustainably themed** strategies focus on investment in companies and industries whose activities are associated with improving environmental sustainability (including addressing carbon emission and climate change) and/or social equality, with an increasing focus on the United Nations Sustainable Development Goals (the "UN SDGs").
- **Impact** strategies are intended to provide intentional and measurable positive environmental and social outcomes through additional resources provided by the investor (capital or other). Historically the incidental positive impact of investments in listed companies has not been considered sufficient to qualify listed strategies as impact investments. In recent years it has become more common for listed strategies to be promoted as impact investments, based on a more generic definition supported by the UNPRI. Whilst it is entirely plausible to have impact investments that provide appropriate financial returns, the line between traditional impact investing and philanthropy is potentially grey.
- **DEI (Diversity, Equity and Inclusion)** strategies focus on investment in companies demonstrating desired diversity or inclusionary practices or on seeking improvement in these practices at investee companies and within their broader supply chains.

It is important to note that these approaches are not mutually exclusive. Investment strategies are often identifiably and deliberately aligned within one category but will commonly fall within more than one. However, strong alignment with all of these approaches is unlikely and attempts to achieve this will result in significant compromises.

The majority of ESG and ethical funds fall within the first three of these categories and are typically the outcome of ESG or screening approaches being applied to passive or conventional active strategies.

Nanuk's New World Fund and similar, sustainably themed, strategies typically result from more deeply integrated approaches that incorporate ethical screening, ESG integration and responsible stewardship activities alongside a clear focus on sustainably themed or impactful investments.

ESG & RESPONSIBLE INVESTMENT STRATEGIES

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Better Companies → ← Better World

	Ethical	ESG	Active Ownership	Low Carbon	Sustainably Themed	Impact
	Investment aligned with values	Reduced exposure to ESG risks	Engagement and voting to improve ESG outcomes	Favour investment in companies with low GHG emissions	Favour investments related to improving E&S sustainability	Measurable positive E & S outcomes
	Negative screening	Governance factors incorporated into risk, valuation and stock selection	Comprehensive proxy voting and selective engagement activities	Focus on decarbonization solutions, not intrinsically low carbon intensity	Positively screened investment universe	Identifiable contribution of companies to improving sustainability
	✓	✓	✓	~	✓	✓

The different aspects of Responsible or ESG Investment outlined above cannot be assessed with a single metric or score. Traditional ESG ratings or scores may be relevant to assessing strategies intended to invest in 'better companies' that could be expected to rate better on these measures of conformance with best practice governance and ESG practices but may not be relevant to strategies investing in companies contributing to a 'better world'.

Introduction to Nanuk

Nanuk Asset Management was formed in 2009 to develop world-class investment expertise in the investment implications of sustainability and to assist its clients address the related opportunities and risks. Our focus as a firm is on delivering excellent investment outcomes to clients and through doing so to contribute to improving global sustainability.

How do we define Sustainability? Sustainability is the ability to maintain healthy environmental, social and economic systems in balance indefinitely. This concept of sustainability can be applied at both a global and local or company level. It follows that unsustainable corporate practices, activities, products and services and relationships with stakeholders will inevitably be subject to change.

Nanuk is exclusively 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.

We believe that successful investment in these areas will deliver attractive investment outcomes for clients.

We also believe it is important in facilitating the global transition towards greater sustainability, through both improving the efficiency of capital allocation and supporting better long-term decision-making by corporate leaders, government, and the public.

Nanuk has a holistic and comprehensive approach to sustainably themed investment that is focused on delivering strong investment outcomes from a clearly defined opportunity set that is aligned with improving global sustainability outcomes.

Our approach is reflected in the following broad principles, set out in our Sustainability Policy.

- We seek to invest in companies that we believe are contributing to improving global sustainability
- We seek to avoid investing in companies whose activities are unsustainable
- We seek to avoid investing in companies whose relationships with stakeholders are unsustainable
- We consider the governance and sustainability of businesses in our investment analysis and decisions
- Where practical and aligned with our clients' interests we may seek to influence companies to improve both global and intrinsic sustainability
- We seek to operate our own business in a sustainable manner

Nanuk's Beliefs and Approach

Our investment philosophy and approach are centred around the investment implications of sustainability, as described below.

We believe the global economy, and society more generally, will inevitably change to become more sustainable and these changes will have a material impact on the structure of the economy and the economics of individual companies.

More specifically, we believe resource constraints and environmental challenges like climate change necessitate significant structural changes in the global economy in coming decades. Large parts of the global economy are transforming as a broad range of more efficient and sustainable technologies and practices replace incumbent solutions. The resultant changes and disruption are presenting, and will continue to present, a significant set of investment opportunities and risks.

At a broad level the industries benefiting from these changes are likely to outperform industries being negatively impacted. Additionally, the complexity associated with ongoing structural and technological changes leads to inefficiencies in equity markets that can be exploited by specialist, research based, active management.

At Nanuk we invest within a self-selected investment universe that is constructed through a combination of both positive and negative ESG related screening. The universe is comprised only of companies whose activities are assessed to be contributing to improving global environmental sustainability and resource efficiency. Additionally, we seek to avoid investment in companies assessed to have a material[1] level of involvement in activities that are not consistent with the firm's focus on sustainability, are operating in severe, or potentially severe, contravention of established norms for responsible business practices or that are involved in selected areas of significant environmental or ethical concern (as set by Nanuk).

Our investment approach within this investment universe is focused on constructing well-diversified portfolios with high active shares that deliver superior risk adjusted investment returns, primarily from stock selection.

Nanuk's investment process incorporates a valuation-based approach coupled with fundamental insights into industries and investee companies. The approach is predicated on a belief that, over time, equity market prices typically reflect the future prospects and perceived economic value of the underlying businesses and assets, usually best estimated as the discounted value of their expected future cash flows. For many reasons, shares often trade at prices that don't reflect future prospects and at significant discounts or premiums to their intrinsic economic value. We believe that shares priced at significant discounts to their intrinsic value are likely to provide excess returns as their future prospects are better understood and priced by the market, particularly if companies are able to generate increasing economic value over time. Conversely, declining economic value presents a significant investment risk.

[1] *The applicable materiality thresholds vary from 0% to 30% of revenue depending on the nature and severity of the relevant activities, as set out in the ESG negative screening framework in Nanuk's ESG Policy.*

Corporate governance practices and aspects of sustainability can materially impact the future performance of companies and the extent to which any economic value created will accrue to shareholders. More specifically, we believe that investment outcomes are likely to be influenced by the quality and capability of the board and management, the alignment of interest between management and shareholders, the sustainability of a company's activities (products and services) and the sustainability of relationships with stakeholders (investors, creditors, customers, employees, suppliers, communities, governments and society).

Consequently, we favour investment in businesses capable of generating increasing economic profits and with sustainable practices and stakeholder relationships that are well managed in the interests of minority shareholders, as they are likely to present lower investment risk and greater potential for shareholder value creation.

Conversely, we seek to avoid exposure to companies where there is excessive uncertainty about the sustainability of profitability or doubt about the prioritization of shareholder's interests in management decision making, and we consider these risks in the assessment and valuation of potential investments.

Where practical and aligned with our clients' interests, we seek to encourage better governance and sustainability of investee companies through active management of our investments (proxy voting and selective engagement activities).

ESG and ESG Integration

Nanuk has a holistic approach to sustainably themed investment that is central to our investment activities. ESG integration is inherent in the approach, rather than an adjunct to it.

Nanuk's approach is implemented using a combination of positive thematic screening, negative exclusionary screening, ESG integration in investment decision making and our stewardship activities. These elements of the approach are described in more detail below.

Positive Screening

Nanuk invests exclusively in companies that have a material part of their value related to selected activities, industries or technologies that we believe to be contributing to improving global sustainability and efficiency. This is implemented through the construction of an investment universe by positive screening for exposure to selected industries, technologies, products and services based on their assessed contribution to improving global sustainability.

The eligible investment universe for the Nanuk New World Fund comprises companies assessed to have greater than 25% of their value related to activities in one or more of the following areas deemed to be contributing positively towards improving global environmental sustainability and resource efficiency:

Sustainable Energy	Renewable energy technologies Grid infrastructure and grid modernization Energy storage Sustainable Fuels
Sustainable Food & Agriculture	Higher Yielding/Lower Impact Production Precision Agriculture Sustainable Production Controlled Environment Agriculture Healthier/Sustainably Produced Foods Efficient Processing Sustainable Packaging Efficient Supply Chains and Logistics Reduced Wastage
Sustainable Cities & Infrastructure	Building Energy Efficiency and Pollution Reduction Sustainable/Low Impact Design and Development Sustainable Construction Materials Smart Home/Smart Energy Management
Sustainable Transport	Electrification Low Emission Fuels Energy/Fuel Efficiency Modal Shifts

	MaaS/TaaS Solutions ADAS/Autonomous Driving Safety Efficient Logistics
Sustainable Industry	Industrial Internet of Things (IIoT) Robotics and Automation Advanced Manufacturing Process Efficiency Solutions Sustainable Processes and Feedstocks Energy Efficiency Advanced Materials Safety
Sustainable Healthcare	Diagnostic Technologies Mobile/Wearable Diagnostics (mHealth) Data Management Digital Solutions for Healthcare (eHealth) Digital Solutions for Process Efficiency Surgical Robotics and Automation Therapeutic Devices Genomic Diagnostics and Treatment
Sustainable Consumption	Recycling Sustainable Materials Recyclable Materials Recyclable and Reusable Products Energy Efficient Products
Efficient Business and Economies	Cloud Computing AI/Machine Learning Applications Information Services Financial Technology Process Efficiency Solutions Online Retail and Services

Positive screening is undertaken based on internal analysis of each proposed company but is facilitated by the use of external data sources providing relevant categorizations of company activities.

A more detailed explanation of the positive screening and categories above is included in our ESG Policy.

Alignment with UN Sustainable Development Goals

The activities of companies within Nanuk's investment universe typically demonstrate a connection with the delivery of the UN's Sustainable Development Goals (SDGs). Nanuk utilises the services of multiple independent research houses (Sustainable Platform and ISS) to analyse individual company and portfolio level contribution to the delivery of the SDGs and exposure to controversial industries.

The Nanuk New World Fund has demonstrated a higher average contribution to the UN SDGs and lower exposure to controversial industrial and lower sustainability related risk than traditional global equity benchmarks. Additionally, the Nanuk New World Fund has demonstrated consistently lower exposure to Carbon Related Assets and direct and indirect exposure to carbon intensive industries than broader global equity benchmarks.

Please refer to Nanuk's annual ESG & Impact Report for further details.

Negative Screening

Nanuk's specific focus on companies whose activities are contributing towards improving global environmental sustainability and resource efficiency naturally avoids investment in many areas of ethical, social or environmental concern.

This is formalized through a comprehensive ESG-based Negative Screening Framework that seeks to avoid investment in

- Companies assessed to be operating in severe, or potentially severe, contravention of established norms for responsible business practices (including Human Rights, Labour Standards, Environmental Practices, Business Malpractice)
- Companies assessed to have a material level of involvement in selected ethically contentious activities at odds with Nanuk's values and sustainability focus (including Weapons and Defense, Alcohol, Tobacco-based products and nicotine alternatives, Gaming, Pornography, Animal Welfare Abuses, Predatory Lending, Cannabis)[2]
- Companies assessed to have a material level of involvement in selected areas of significant environmental concern (including Oil & Gas Exploration and Production, Coal and Uranium Mining, Hazardous Pesticides, non-RSPO Palm Oil)
- Companies assessed to have a material level of involvement in activities not consistent with the firm's focus on longer term global sustainability (including fossil fuel generation, natural gas, equipment and services provided to excluded industries above).

The applicable materiality thresholds vary from 0% to 30% of revenue depending on the nature and severity of the relevant activities, as set out in the ESG negative screening framework.

A summary of the firm's Sustainability and ESG-based Negative Screening Framework is included in Appendix A.

Negative screening is undertaken systematically using external analysis and data sources and necessarily relies on the completeness and accuracy of company disclosures and external data providers. Compliance with the negative screening is reviewed in detail during company analysis and portfolio reviews and any areas of potential non-compliance investigated directly.

ESG Integration in Investment Analysis and Decision Making

We believe that corporate governance and sustainability considerations can materially impact the future performance of companies and the extent to which any economic value created will accrue to shareholders.

Companies with unacceptably high levels of governance or sustainability risk are likely to be excluded by Nanuk's ESG based negative screen.

Consideration of certain aspects of governance and sustainability is an intrinsic component of assessing companies' future financial profiles, risks and valuation.

In particular, our research includes a focus on the following key governance and sustainability considerations:

- The quality and capability of the board and management
- The alignment of interest between management and shareholders
- The sustainability of a company's activities (products and services)
- The sustainability of relationships with stakeholders (creditors, customers, employees, suppliers, communities, governments and society)

ESG data relating to these factors is aggregated from a variety of sources into a proprietary ESG framework and these factors are identified in our standard research framework that guides analysis and assessment of companies.

The factors incorporated within Nanuk's Research Framework are shown below. Portfolio Managers are thereby encouraged to consider each of these factors when assessing a company and its investment merit.

Quality - Governance	Capability and track record of directors and management	*What are the track records of key management?* *Has the board / management displayed good commercial acumen?*

[2] [2] *The applicable materiality thresholds vary from 0% to 30% of revenue depending on the nature and severity of the relevant activities, as set out in the ESG negative screening framework in Nanuk's ESG Policy.*

	Suitability of ownership and governance structure	*Are there controlling shareholders with competing interests?* *Is the composition of the board appropriate to the interests of minority shareholders (independence, Board committee structures, diversity, tenure, etc)?*
	Alignments of incentives	*Are incentive structures aligned with generating value for minority shareholders?* *Is compensation at an appropriate level?*
	Transparency in reporting	*Does the company provide clear and open disclosures?* *Does the company provide transparent financial reporting?* *Does the company provide good disclosures on ESG issues?* *Quality of auditor / Audit qualifications?*
	Potential exposure to corruption or reputational risk.	*Level of exposure to corrupt economies* *Previous involvement in corrupt activities / with corrupt partners* *Involvement in controversial activities / projects* *Does the company have appropriate controls, systems and policies in place to manage these risks?*
Quality - Sustainability	Alignment of product and services with more sustainable outcomes	*Are products and services consistent with Net Zero / sustainable economy?* *Are customers/end markets aligned with Net Zero / sustainable economy?* *Are environmental regulations supportive for the company?*
	Sustainability of operational practices (environmental impact)	*Are the company's operations sustainable in their current form (carbon emissions, water usage, pollution, waste etc)? Is debcarbonisation regulation negative for the company?* *Are the company's assets exposed to physical risks (climate change, flooding, water stress, fires etc)?*
	Sustainability of relationships with employees and suppliers	*Are there supply chain issues – labour standards, environmental damage?* *Are there employment issues – modern slavery, child labour, restriction of employee rights, underpayment of employees?* *How is the company performing on staff turnover?* *What is the company's track record on workplace safety?* *Are there any key supply chain vulnerabilities?*
	Sustainability of relationships with government	*Violations of laws and regulations* *Avoidance or underpayment of tax*

	Sustainability of relationship with customers, communities and society	*Are there issues with local communities, society more generally?* *Are there issues with customers – safety, privacy, anti-competitive behaviour?*

ESG factors are considered in the assessment of risk and return alongside other factors potentially influencing longer term economic outcomes, such as industry structure and competitive advantage. The relative importance of individual ESG factors (or the ESG factors as a whole) will depend on the circumstances and nature of the individual company and the nature of the investment case.

Significant uncertainty about the sustainability of a company's profitability or doubt about the prioritization of shareholder's interests in management decision making is considered in investment decisions. This may result in adjustments to valuations (for example through incorporation of risk factors into discount rates or adjustments to financial forecasts), and/or a lower conviction based on higher risks (and therefore lower position size), and/or a risk-based decision not to invest.

Companies for which there are significant concerns regarding any of the four key ESG considerations above are likely to be precluded from investment through either ESG based negative screening or during subsequent investment analysis.

Some ESG factors can be shown to have statistical significance as indicators of future relative out performance and are suitable for integration into quantitative assessments of valuation and/or risk. Other factors may not have broad statistical significance but in combination with other factors may indicate misalignment of interest and greater risk.

Assessment of these factors is necessarily qualitative and may take into consideration other factors such as the historical actions and performance of directors and management. An issue or concern related to a single factor may not of itself indicate inherently higher or unacceptable risk. Considerations such as materiality and context (cultural and geographic biases, subsequent actions, historical performance etc) are made in conjunction with assessment of other relevant governance factors. For example, the risks potentially associated with an Executive Chairman may not be of concern if the board contains a majority of appropriately experienced independent directors.

Nanuk's approach allows for recognition that improvements in governance and sustainability are likely to be more significant as an indicator of future investment outperformance than the absolute or relative measures of a company's present governance and sustainability. The approach also allows for recognition that appropriate governance structures may vary depending upon the nature and stage of development of a company, as well as the individual entities and people involved.

Consideration of the key ESG related factors outlined above is undertaken internally but is aided by a proprietary ESG framework and comprehensive ESG research and data from a variety of sources.

Portfolio construction is impacted through the selection and sizing of positions based on valuations and risk assessments that incorporate ESG factors in the manner described above.

Investment decisions prioritise investment performance and are not directed towards achieving high ESG or sustainability scores. Nanuk's 'whole of process' approach incorporating ESG considerations in both the selection of the eligible investment universe and the subsequent company analysis and stock selection dictates that the ESG and sustainability characteristics of the resultant portfolio are likely to broadly align with those of the firm's investment universe.

Proxy Voting

We believe shareholder voting provides an important opportunity to participate in corporate decision making and encourage better governance and more sustainable corporate behaviour in the interests of both longer-term value creation and more sustainable outcomes.

We seek to exercise voting rights at all opportunities. Voting decisions are made by relevant portfolio managers and are guided by the firm's beliefs and sustainability focus. Nanuk uses a proxy voting research provider (ISS) for recommendations made under a sustainability and ESG aligned voting policy.

ISS's Sustainability Voting Guidelines are accessible via the following links:

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

Independent voting recommendations are reviewed by the relevant portfolio managers who recommend how voting rights should be exercised. These recommendations typically follow the independent recommendations but may differ 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.

A summary of Nanuk's proxy voting activities is provided in our annual Sustainability & ESG Report and Proxy Voting Report, available on Nanuk's website. Full ballot level detail of proxy voting activity is available to clients on request.

Direct Engagement

Engagement activities provide an opportunity to encourage better governance and more sustainable corporate behaviour in the interests of both longer term value creation and more sustainable outcomes. 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.

Nanuk's approach to engagement with investee companies involves 3 key strategies, namely

- '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

'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
- Responsible use of generative AI

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

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

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

Direct research is a core part of Nanuk's investment approach and we speak with representatives of most of the companies in which we invest. The interactions typically focus on gaining deeper understanding of the management structures, strategies and economic

drivers of companies. Concerns about governance issues or the sustainability of a company's activities or relationships with stakeholders may be raised when we have specific concerns and, in selected cases, our concerns and/or recommendations may be conveyed formally in written correspondence.

Joint Engagement

Nanuk has also 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 participates in this program to the extent that the proposed activities are aligned with Nanuk's investment holdings and views on governance and sustainability practices.

Climate Change and Carbon Risks

The existence of climate change related risks and opportunities is central to the firm's existence and investment approach.

We believe that the transition of the global economy to a more sustainable form will take many decades. However, the investment risks and some of the opportunities related to these transitions are likely to manifest on much shorter timeframes and are already evident at this early stage of the transition away from unsustainable technologies and business practices. The timing is industry and technology specific and will be influenced significantly by government policy development (particularly the implementation of net zero emissions targets), business strategies and changing public and consumer behaviour. Similarly, physical risks are likely to appear over many decades and the timeframes will be, to some extent, determined by the course of actions taken by government, businesses and consumers.

Nanuk's focus on investing in companies that are likely to benefit from climate change related transition risks should result in lower exposure to these risks inherent in the broader global equity universe.

Further to this, the construction of the firm's investment universe seeks to avoid, through negative screening, investment in companies with direct involvement in many industries most susceptible to climate related transition risks – such as oil & gas exploration and production and companies with substantial indirect exposure to these industries.

Our approach recognizes that low carbon intensity or low carbon emissions do not imply a positive contribution to reducing global emissions and, conversely, many companies engaged in activities that are contributing to reducing global emissions will have meaningful carbon emissions, particularly as a result of the energy requirements of industrial processes. For example, banks or social media companies are likely to have low carbon intensity, whereas a wind turbine or battery manufacturer will have higher carbon intensity that does not indicate their potential positive contribution to reducing global emissions. Carbon emission and carbon intensity are therefore not explicit inputs to the investment process but are potentially relevant considerations in company analysis and the assessment of valuations and risks.

Nanuk's investment process does not specifically target low portfolio carbon emissions or carbon intensity outcomes, however the nature of the investment universe mean that portfolio investments are likely to demonstrate low transition risks and be well aligned with the broader objectives to reduce global carbon emissions.

Generative AI

The advent of powerful generative AI models and the significant representation of AI related companies in major global and regional equities indexes present several ethical and sustainability related considerations for investors.

Traditional AI and Machine Learning have been areas of investment eligibility for the Nanuk New World Fund, alongside related areas such as Cloud Computing and the Industrial Internet of Things, since the Fund's inception – falling within the Fund's focus on industrial efficiency and more efficient business and economies. The development of AI transformers in 2017 has led to the rapid subsequent development of generative AI models demonstrating both extraordinary intelligence and increasingly the ability to act independently.

Nanuk's general view is that generative AI is a technology that will deliver significant efficiencies and contribute to economic growth and is an important component of achieving a more sustainable global economy in the future. Achieving this outcome whilst managing and minimising the obvious negative externalities and risks is primarily the responsibility of governments. As investors, we believe our role should be to capitalise on the upside of the development for our clients (through investment in eligible companies), whilst encouraging companies to ensure proper governance and controls to avoid unethical usage and impact on

individual rights, encouraging governments to ensure that negative externalities and social impacts are minimised, and avoiding investing in companies that utilise AI for purposes that we consider to be unethical.

Our approach is informed by considering the benefits, costs and risks from several different perspectives, as outlined below:

1. The impact of AI on longer term sustainability

We believe that generative AI models will enable significant improvements in resource efficiency and environmental sustainability across the global economy over time through facilitating more rapid development of science and research and through their application in industry and business. We believe that there are already strong examples of the potential for AI models to deliver significant productivity improvements across a wide range of industries. In addition to the direct benefits achieved using the technology, the economic value delivered through productivity improvement should ultimately enable reallocation of scarce economic resources towards addressing sustainability challenges such as climate change. Based on these views we believe AI is contributing to improving global resource efficiency and companies deriving a material proportion of their value from activities related to AI are considered eligible for investment.

An example of how AI will achieve significant improvements in efficiency and productivity is the use of AI models to aid more accurate diagnosis of medical cases. Recently published peer reviewed research shows that AI models can be more than twice as accurate as physicians using textbooks and the internet in solving complex cases (https://microsoft.ai/news/building-medical-superintelligence/)

2. The short-term negative externalities

The rapid development of large-scale infrastructure to support the training and delivery of AI models is causing negative impacts at local (for example, environmental damage, water resource depletion or degradation, noise pollution), regional (electricity pricing) and global (carbon emissions) levels. We believe there are two aspects that need to be considered from an investment perspective. First, whether these negative impacts are justified by the benefits that are likely to be achieved; noting that there are no 'perfect' solutions and most 'sustainable' products lead to some negative impacts. The question is whether the net benefits are likely to be significantly positive and consequently do not preclude investment in companies on the basis that some of their activities have negative impacts. A comparable example would be investment in solar generation, noting the manufacturing of solar panels involves carbon emissions and other environmental impacts, but provides significant net benefits over the life of the product. Nanuk's focus on companies contributing to or benefiting from improving global environmental sustainability and resource efficiency means that the companies providing products and services that help address these negative externalities will typically be eligible investments and the need to address these issues is likely to present investment opportunities. The second consideration is whether companies are operating in a legal and responsible manner. Intentional violations of the law or local regulations, violations of norms for responsible business practices or operating with disregard for other stakeholders in an unsustainable manner, should preclude a company from investment eligibility. These considerations are addressed in Nanuk's ESG negative screening framework.

3. The potential medium to longer term negative impacts

We believe it is likely that the widespread use of AI will lead to job displacement and wealth redistribution (from labour to capital) within the economy, with potentially significant negative social impacts. We believe that the continued development and more widespread use of AI models is now inevitable and efforts to stop this would be futile – the challenge for society is to maximise the benefits and minimise the costs, and to ensure that future transitions in the structure of the economy are well managed for the benefit of society more broadly. We believe this is primarily the role of governments, not investors. We don't believe it is logical for investors to forego exposure to AI investments in a world in which a greater proportion of economic value is likely accrue to capital. We believe that our role, as investors acting on behalf of our clients, is to advocate when practical for governments to act responsibility to address societal challenges, and to encourage our investee companies to do the same. Our top down engagement process, detailed in our Stewardship Policy, includes encouraging investee companies to advocate for both governments and industry bodies to act to address these issues.

4. The misuse of AI for unethical purposes

It is inevitable that generative AI models will be used for illegal, immoral and unethical activities and aid violations of human rights, such as privacy. As with other technologies (for example the internet), we do not believe the potential misuse of a technology should preclude investing in companies involved in providing it legally. We do, however, seek to avoid investing in companies involved in illegal or unethical activities and violations of human rights – whether involving AI or not. These activities are covered by Nanuk's existing ESG negative screening framework. The responsible use of AI is an area of engagement focus.

As detailed in our Stewardship Policy or approach is to encourage responsible use and proper controls and governance, and to ensure the use of AI does not unnecessarily violate individual or human rights (privacy, IP etc) by all investee companies (as part of our top down engagement process) and to encourage companies involved in the development or deployment of AI models to take actions to ensure nefarious usage is minimised.

5. The potential future self agency of AI models

We believe the potential for AI models to act with independent agency is deeply concerning and presents significant economic, social and geopolitical risks. We believe there is already a high likelihood that AI agents acting beyond their intended scope may act against human interests, and further rapid development in pursuit of RSI (recursive self-improvement) and ASI (artificial superintelligence) further raise this risk. As noted above, we don't believe it is practical to prevent these developments or rational to forego investment opportunities because of them, however we believe that AI should not be designed or empowered to act against human interests and accountability for AI models and agents should remain with people or entities responsible for their development and instruction. We believe our role, as investors acting on behalf of our clients, is to advocate when practical to governments and investee companies for the responsible development and use of AI models (including the development and adoption of safeguards to ensure ultimate human control).

6. The potential impact of AI on company profitability and investment outcomes

The final consideration is whether the development and deployment of generative AI is likely to impact the growth and profitability of companies and investment outcomes. These considerations are addressed explicitly in Nanuk's Company Background research reports which address the following:

Industry Exposure - Through which channels is the industry exposed to AI: demand from AI infrastructure investment, adoption within products and operations, substitution of its offerings, or other? Is AI-linked demand likely structural or cyclical?

Disruption Threat - What are the most credible pathways by which AI could substitute, disintermediate or commoditise the company's offering? How advanced is each, and what share of revenue is exposed?

Product and Solution Adaptation - How are the company and its competitors adapting products, services and operations to AI, and what capabilities or partnerships does this rely on? What measurable evidence of traction exists beyond company announcements?

Competitive Position - Is AI raising or lowering barriers to entry and switching costs? Is there evidence of market share shifting towards or away from the company, including to new entrants or to customers building in-house capability?

Business Model and Value Capture - How is AI changing the way the company delivers and prices its offerings, and what does this mean for margins and returns across the company and its industry? Which participants in the value chain are capturing the additional economic value?

Net Assessment - Over the next 3–5 years, is AI a net growth driver or threat for the company, and how material? What evidence would disconfirm this, and which leading indicators should be monitored?

The potential impacts of AI are considered implicitly within the existing scope of Nanuk's existing Research Framework, which requires assessment of a company's key economic drivers and a broad range of factors (including risk of disruptions) potentially impacting the company's future growth and profitability. As outlined above, the framework also requires consideration of the sustainability of a company's products and services, operations and stakeholder relationships – all of which include the potential impacts of AI.

Transparency 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 our holdings and analysis of portfolio characteristics and performance are available to clients on request. Lagged holdings data is available through disclosures made via the RIAA and ASX.

We currently provide the following ESG related reporting

- Annual reporting of proxy voting elections;

- Annual Sustainability & ESG Report, which includes
- Annual carbon intensity reporting (in accordance with TCFD standards)

Additional reporting is available to clients on request.

Promotion of Sustainability and ESG Principles

We believe we have both an opportunity and responsibility to promote more sustainable outcomes within the investment management industry and the economy more broadly. Where practical and meaningful, we seek to support organisations with aligned sustainability principles and goals.

Nanuk is currently a member of the following industry groups

- UNPRI (United Nations Principles for Responsible Investment)
- IGCC (Investor Group on Climate Change)
- RIAA (Responsible Investment Association Australasia)

Nanuk supports and endorses the approach and ambitions of the UN Framework Convention on Climate Change and the Paris Agreement.

Nanuk supports the adoption of the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) in relation to climate related reporting for companies and asset managers.

Nanuk supports the objectives and use internationally recognized for responsible business practices and sustainability including 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.

Investor Group on Climate Change

Signatory of: PRI Principles for Responsible Investment

riaa Responsible Investment Association Australasia

Independent Assessment

UNPRI

Nanuk commenced reporting as a signatory to the UN PRI in 2018. The most recent Assessment Report was provided in 2022, and the aggregate scores for each applicable module are shown below. Reporting will be undertaken again in 2026 and this report updated follow the release of a revised assessment.

Module	Score (/100)	Stars (/5)
Policy Governance & Strategy	70	****
Direct – Listed Equity – Active Fundamental	91	*****
Confidence building measures	80	****

RIAA Certification

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

Nanuk is recognised as Responsible Investment Leader by the RIAA.

Lonsec Sustainability Rating

The Nanuk New World Fund has been a Sustainability Score of 4 'Bees' (out of a possible score of 5. The Sustainability Score of four bees indicates this Fund ranks above average within Lonsec-rated Global equity funds, based on the Lonsec Sustainability model. The model measures the overall 'net goodness' in a portfolio by combining the contribution of the Fund to the Sustainable Development Goals, netted against the Fund's controversial activities measure into a single, peer ranked score.

Ethical Adviser Cooperative

The Nanuk New World Fund has been awarded a '4 leaf' rating (out of a possible score of 5), indicating that the fund meets most ethical objectives of an average ethical investor.

Appendix A – Nanuk's Sustainability and ESG-based Negative Screening Framework

Nanuk's ESG based exclusions framework is summarized below. The full framework including definitions is included within Nanuk's ESG Policy and is available on request. The framework may be revised from time to time.

Companies assessed to exceed the thresholds set out in the framework (including the notes to the framework) are ineligible for investment. Investments held in companies that are assessed to violate the framework will be divested in a timely manner.

Environmental	
Coal & Coal-Based Energy	Mining, Exploration & Extraction >0% Coal Fired Generation >0% (10% with divestment plan)
Oil & Gas	Exploration, Extraction, Production & Refining >0% Oil-fired Generation >0% (5% with divestment plan) Gas Generation >0% (10% with divestment plan) Gas Distribution >10%
Fossil Fuels	Services and Equipment >30% Financing >0%
Uranium	Mining and Refining >0%
Nuclear Generation	Nuclear Generation >10% and Nuclear > Renewable Generation
Severe Environmental Damage	Deforestation, non-RSPO Palm Oil, Hazardous Pesticides > 0% Case by case assessment of specific violations
Weapons	
Controversial / Nuclear Weapons	Production & Distribution >0%
Weapons & Small Arms (including Civilian Firearms)	Production & Distribution >0%
Military Combat Equipment (military specific products only)	Production & Distribution >0%
Military Equipment	Services & Non-Combat Equipment >10%
Ethical	
Adult Entertainment	Production & Manufacturing >0%
Alcohol	Production & Manufacturing > 0%
Animal Welfare	Commercial Fishing, Hunting, Fur >0% Animal Testing (except in accordance with accepted standards for pharma/medical/food) > 0%

	Factory Farming >0% (subject to norms around animal welfare and environmental standards).
Correctional Facilities	Ownership, Management, Operation & Service Provision >0%
Gambling	Ownership, Management & Operation >0%
Predatory Financing	High interest products, predatory financing >0%
Tobacco-based products and nicotine alternatives, non-medicinal Cannabis	Production & Manufacturing >0%
Responsible Business Practices	
Human Rights, Labour Standards, Environmental, Business Malpractice	Verified failure to respect established norms, with severe consequences and no remediation measures announced or undertaken

Notes:

Thresholds, where applicable, apply to net sales revenue. Exceptions may be made where the relevant businesses are marked for sale or closure, or the nature of the involvement is trivial and unrelated to the primary operations of a company. Exclusions related to fossil fuel based generation do not apply to cogeneration or backup power supply for business whose primary activities do not include electricity generation. The threshold for involvement in distribution and services related to the fossil fuel industry(*) is an aggregate threshold covering involvement in all forms of fossil fuels and all types of related service. The exclusion relating to weapons and military products relates to products specific to these applications and does not cover military specification versions of products sold for other commercial applications. Norms based factors are assessed with reference to internationally recognized frameworks including the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles for Business and Human Rights.