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INVESTMENTS

# Environmental, Social and Governance (ESG) Policy

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# Environmental, Social and Governance (ESG) Policy

At ELM Responsible Investments (ELMRI), our mission is to invest in innovative and impactful companies and generate strong sustainable returns for our investors.

## BACKGROUND

We follow our Sustainability Framework to help us identify the most impactful companies. We also follow our Investment Framework to help us identify high-quality companies with strong competitive advantages and compelling expected returns.

We believe that considering ESG factors does not necessarily help us identify the most impactful companies, but rather is an important component in our Investment Framework.

ELMRI is a signatory of the United Nations Principles for Responsible Investing (UNPRI), representing our commitment to responsible investment decision-making and ownership practices.

## INVESTMENT PROCESS

ELMRI believes that companies should act in a socially responsible manner. They should conduct their business in a way that recognizes their responsibilities to employees and other stakeholders, as well as broader society and the environment.

We incorporate ESG issues into our investment decision-making process when assessing a company's generic key value driver (KVD) risk factors (see below):

- External – regulatory, legal, political, macro-economic, industry, environmental, social, etc.
- Internal – governance, management, incentives, employee relations, structure, power, culture, etc.

These risks are incorporated into our company valuations, risk and return calculations, and the qualitative overlay part of our portfolio construction process.

We expect companies to publish a separate ESG or Corporate Social Responsibility Report, or to provide an ESG statement within their Annual Report and on their website.

## ENGAGEMENT

What differentiates ESG issues from other generic KVD risk factors is that as a matter of policy, we seek to actively engage with company management, directors and other stakeholders on these issues, to encourage change where we believe the issue is detrimental to the environment, the society in which the company operates (social), or minority shareholders (governance). Whereas on other generic KVD risk factors, we reserve the right to passively engage (i.e. sell a company's shares), rather than seek change from a company's management and/or board.

## PROXY VOTING

When ESG issues are the subject of proxy voting, ELMRI considers the issues on a case by case basis, keeping in mind the best economic interests of our clients. Sometimes, shareholder proposals are used by activist groups to target companies as a means of promoting single-issue agendas. In these instances, it is important to differentiate between constructive resolutions, intended to bring about genuine social or environmental improvement, and hostile proposals intended to limit management power, which may in fact ultimately destroy shareholder value.

## REPORTING

ELMRI is committed to keeping our stakeholders aware of our ESG related activities through:

- Report ESG-related activities to our clients.
- Publishing this ESG Policy and our Voting Policy documents.
- Committing to the UNPRI principles.

## TOBACCO STOCKS

ELMRI has signed the Tobacco-Free Finance Pledge. ELMRI believes there is no safe level of exposure to tobacco, and ELMRI portfolios are excluded from investing in companies that manufacture complete tobacco products.



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