

## **Responsible Investment Policy**

Polunin Capital believes incorporating ESG considerations into our stock selection process is integral to our commitment to responsible investment. The approach, policies and reporting are overseen by the ESG & Stewardship Committee, which is chaired by our CEO, with our Board of Directors taking ultimate responsibility for the integration of these policies into the investment process and portfolio construction.

The Board has determined that all members of the investment team will receive training on responsible investment. This training includes reporting framework, outcome identification and assessment, engagement approach and best practice, and takes place every 6 months or more frequently as required.

Our responsible investment policy has been incorporated into our investment process and active ownership practices. Key elements of our approach are:

- ESG integration in the investment process;
- Screening and exclusion;
- Stewardship;
- Engagement.

### **ESG scoring and integration**

Internal ESG scoring is standard for all portfolio companies. This is carried out by the investment team as part of the research process. Our scoring process assesses a company on a wide range of ESG issues - from climate change to human rights and diversity, which are mapped to the UN Sustainable Development goals, and are incorporated into investment analysis and active ownership when they are material. The focus is to understand current and future risks and opportunities of a company, and how they affect a company's potential to reach fair value.

ESG integration is standard for all discretionary mandates, clients may have specific policies for voting or exclusion.

### **Screening and exclusion**

We screen all investments against minimum standards of business practice based on international norms, for controversial practices that have adverse impacts on society and the environment in line with established expectations for Responsible Business Conduct. The framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights, and is embedded in the Sustainable Development Goals. Companies with verified failure to respect established norms are excluded, investees undergoing remediation or have alleged failures are prioritised for engagement.

Please refer to our Exclusion Policy for exclusion criteria.

### **Stewardship**

Polunin Capital is signatory to the UK Stewardship Code 2020 which encourages fund managers to exercise their active ownership responsibilities in monitoring, engagement and voting of their equity investments. The Firm's statement on Stewardship is reviewed annually, and published on its website.

### **Proxy Voting**

As an active and engaged investor, we exercise the shareholder rights of almost all our clients. We consider voting rights as an important driver of change in conjunction with our engagement activities. Our Voting Policy covers key issues essential for the protection of shareholders and stakeholders; these include board structure and composition, remuneration and protection of shareholder rights, human and labour rights, diversity, carbon reduction, resource use, and protection of biodiversity. The policy is regularly reviewed to ensure that emerging issues and evolving ESG best practice are incorporated, and engagement activities are reflected. Voting decisions are published on a semi-annual basis, with explanation on controversial votes, and analysis and engagement details.

### **Engagement and escalation**

Engagement is an integral part of our responsible investment. We work with portfolio companies to improve how they manage or disclose ESG performance or issues, as identified in the internal scoring and screening processes, or in response to events or queries. As the investment team carry out engagement activity directly, we are able to combine the monitoring ESG risks with our nuanced understanding of companies' operations and sector issues.

As regulatory and corporate landscape evolve in Emerging Markets, our public policy objective on climate change is to support the transition to a zero carbon economy. To this end, the Firm has become a participant in Climate Action 100+, added its signature to the Global Investor Statement to Governments on Climate Change, and is actively looking to join other collaborative engagements.

We have a 3-year process of engagement, with escalation after 18 months at the latest. As part of escalation we will consider publicly engaging the board, withholding support on standard governance-related resolutions (such as director re-elections or approving the reports and accounts) or by filing or co-filing shareholder resolutions. If remediation remains inadequate or ineffective after the engagement process, divestment will take place.

### **Sustainability outcomes**

With reference to the UN SDGs, and through our internal ESG scoring process, engagement with companies, and discussions with clients, we have identified the following sustainability outcome objectives:

- Encourage companies to report in accordance with TCFD framework, including setting a Science Based Target, conducting scenario analysis;
- Consider physical risk factors and adaptation measures;
- Endorse adaptation strategy to lower water consumption;
- Coal dependency phase out plan by 2040 at the latest, 2030 in OECD;
- Transparency on pay equality;
- Incorporate policies to address diversity and advancement to senior management positions;
- Transparency on measures that show oversight on labour and human rights at the company, as well as suppliers and contractors levels.

This policy will be reviewed and revised on an annual basis by the ESG & Stewardship Committee, and verified and approved by the Board of Directors.