

# Firm-Wide Environmental, Social and Governance (ESG) Investment Policy

## Mondrian's ESG Approach

Mondrian Investment Partners Limited's ("Mondrian") long-term, fundamental research process has always demanded that analysts strive to consider all material risks and opportunities that could influence a security's valuation, including those issues rooted in environmental, social and governance concerns. Recognising that these issues are continually evolving, Mondrian's ESG Investment Steering Committee, a sub-committee of the Mondrian Board, sets and reviews firm-wide ESG objectives and initiatives to ensure that our resources and investment staff are capable of meeting ongoing developments associated with these issues. It meets quarterly and comprises of ten committee members including senior members from each investment team, General Counsel, Chief Compliance Officer, and Head of Global Client Services. The Committee is chaired by the Head of ESG Investment and reports to the Board twice a year. Mondrian's Board is ultimately responsible for overseeing all firm practices, including ESG practices. In recognition of our continued commitment to the integration of financially material ESG risks and opportunities, Mondrian is a signatory of the Principles for Responsible Investment.

## Background

**Mondrian has a history of integrating material ESG risks and opportunities at the fundamental level over the long term**

Mondrian is a global, long-term value-oriented investment manager. Our focus is on providing a rate of return meaningfully greater than our clients' domestic rates of inflation with strategies that seek to preserve capital during protracted market declines. In pursuit of these investment benefits, Mondrian employs a long-term, fundamental approach to research in which financially material environmental, social and governance risks and opportunities play an important role when valuing markets and companies for potential investment. Except as required by law, Mondrian does not have any firm-wide exclusions. A significant number of our separate account clients use their own exclusion lists as part of their investment guidelines that we must adhere to in managing their mandates.

## Mondrian's Investment Approach

**The analysis of material ESG risks and opportunities is embedded in the daily work of all investment professionals; additionally, each investment team has a senior representative on the ESG Investment Steering Committee**

Our equity and fixed income teams share an investment philosophy that recognises the importance of financially material ESG issues in the long-term valuation of a company's equity and credit. Mondrian has always believed it is the responsibility of all investment professionals to understand and incorporate the impact of environmental, social and governance risks and opportunities on our present and potential investments, and their long-term profitability.

## Equity

### Mondrian's Equity investment philosophy is aligned with the incorporation of material ESG risks and opportunities

Across all of Mondrian's equity investment products, the research process is driven by extensive, bottom-up fundamental company analysis which includes a comprehensive program of meeting with representatives from current and prospective holdings. We believe that the value of any equity security is equal to the present value of its future cash flows to the investor, which are primarily dividends. The principal focus of our investment professionals is constructing long-term models of these cash flows as inputs into our dividend discount methodology. Since the inception of the firm, Mondrian has aimed to consider all material issues that could influence these cash flows, incorporating the analysis of financially material environmental, social and governance risks and opportunities as a normal part of the long-term valuation process.

### Mondrian's proprietary ESG evaluation framework captures ESG impacts on valuations

Mondrian's proprietary ESG Summary Report explicitly documents the influence of financially material ESG risks and opportunities on our valuation assessments and is to be completed for all current and prospective equity holdings. By systematically considering both a set of core values alongside company-specific issues, we aim to capture and quantify material issues that could impact the base, best- and worst-case scenarios over the short, medium and long term. Documenting these issues helps Mondrian quantify the impact of ESG risks and opportunities on a company's valuation.

### Stewardship considerations

Mondrian pursues an active investment management approach. Stewardship considerations are part of the initial purchase decision, subsequent monitoring of an investment and any ongoing dialogue with an investee company, including active participation through our proxy voting process. Please see [Mondrian's Engagement Policy](#).

### Engagement process

Mondrian's engagement process encompasses discussions on key financially material ESG risks and opportunities and includes a focus on accountability which involves tracking a corporate's progress in meeting its business plan targets, including ESG related ambitions such as short- and long-term emissions reduction targets. Should a company held in our portfolio consistently disappoint in its deliverables, with implications to its long-term valuation, we will typically engage with its management and the board for both understanding as well as to steer change. Local practice and governance standards are taken into account when voting shares or engaging with the management of companies particularly in less developed markets, and actions are taken on a case-by-case basis. Should engagement and proxy voting continue to prove unsuccessful in fulfilling the required objectives, Mondrian may choose to divest the shares. Please see [Mondrian's Engagement Policy](#) for more information.

### Proxy Voting summary

Our clients typically delegate Mondrian the authority to vote proxies for the securities held in their accounts; Mondrian votes proxies pursuant to its Proxy Voting Policy and Procedures. The aim is not to micro-manage but to ensure that each company is run in the best interests of the shareholders. Please see [Mondrian's Proxy Voting Policy](#) for more information.

## Fixed Income

### Mondrian's Fixed Income investment philosophy

Mondrian invests in bond markets that best compensate for inflation and sovereign credit risks, measured by a market's Prospective Real Yield (PRY). We define PRY as the 10-year government bond yield less Mondrian's inflation forecast and sovereign credit adjustment.

### Sovereign credit analysis incorporates ESG issues

Sovereign credit analysis is an integral part of our top-down investment process. That analysis includes environmental, social and governance issues, which ultimately inform our sovereign credit adjustment. The weaker the overall credit assessment, the higher the sovereign credit adjustment, resulting in a greater PRY premium required to drive an allocation.

### Corporate credit analysis incorporates ESG issues

Corporate credit analysis explicitly incorporates a proprietary environmental, social and governance rating. This contributes to our corporate credit rating for each issuer, which in turn directly impacts how much of that issuer's debt can be held across our portfolios according to our issuer diversification limits.

### Engagement process

Engagement is integral to the investment process for both corporate and sovereign debt as we meet with issuers as a matter of course to further our understanding and highlight issues of importance. Findings from engagement will feed into our ESG rating awarded to each issuer, which in turn directly impacts the valuation we assign to the bonds. The Global Fixed Income and Currency team engages both directly and through collaborative initiatives. Please see [Mondrian's Engagement Policy](#) for more information.

## Climate Risks and Opportunities

Climate change mitigation efforts with accompanying policies, regulations, subsidies, incentives, levies, and disclosure requirements, pose both investment challenges and opportunities.

### Climate risks and opportunities in equity analysis

We believe Mondrian is well placed to adapt to the evolving investment environment in terms of pricing risks and opportunities. Mondrian utilises a disciplined valuation framework to analyse companies based on their fundamentals together with a long-term investment horizon, and scenario analysis to understand the skew of potential investment outcomes. To the extent that issues such as climate change, carbon emissions, water usage and energy usage have been identified as potentially financially material risks or opportunities to consider in evaluating the investment case of a particular company, our analysts will conduct further investigation into the extent of these exposures as well as any risk mitigation. The findings from this questioning and disclosure will be incorporated into our overall investment evaluation of the company and highlighted in the ESG Summary Report.

### Climate risks and opportunities in sovereign credit analysis

Environmental issues inform our sovereign credit adjustment; higher sovereign credit adjustments result in a greater PRY premium required to drive an allocation. In particular, undiversified economies based on commodities, agriculture or tourism can be exposed to environment-related shocks, such as flooding and storm damage, that can place additional burdens on the sovereign balance sheet.

### Climate risks and opportunities in corporate credit analysis

The impact on credit quality from environmental risks varies greatly by industry. Environmental issues can present both fundamental business risks, for example that posed by the shift to renewable energy on the oil & gas industry, as well as reputational risks. In order to assess environmental risks to credit quality we reference MSCI ESG research in addition to information collated through credit analysis from sources such as annual reports, rating agencies, discussions with management and industry research reports. Our environmental assessment contributes to our corporate credit rating for each issuer, which directly impacts portfolio allocation.

## External Tools

### Mondrian utilises third party research and tools to assist in our fundamental research process

The majority of inputs for Mondrian's fundamental research process are obtained by the portfolio managers and analysts themselves through proprietary research and meetings with company management and boards. Alongside quantitative data sources, company produced documents such as annual reports and external investment research, Mondrian uses the following third-party providers to assist in our evaluation of ESG issues:

- MSCI ESG Research provides ESG company research and ratings, industry ESG research and screening tools.
- ISS Governance Services provides governance research and services to support the voting of proxies.
- SASB Standards identify financially material ESG issues at the industry level, acting as a completeness check for our existing ESG analysis.
- S&P Capital IQ research provides data that integrates ESG issues in S&P's current credit ratings framework.
- Haver Analytics' ESG module provides ESG data from a number of national, intergovernmental and other sources, which are principally used in our assessment of sovereign credit adjustments.

## Investment Strategy Oversight

### Mondrian takes a structured approach to ESG integration and oversight

Investment professionals are responsible for understanding the financial impact of material environmental, social and governance risks and opportunities in our present and potential investments.

Final equity investment decisions at Mondrian are made by the Equity Strategy Committee for the relevant products. Equity Strategy Committee meetings are led by the Chief Investment Officer of the respective product. Representatives consist of specified team members including one who also sits on the ESG Investment Steering Committee. The Group Chief Investment Officer will attend these meetings as required.

Mondrian's fixed income strategies are set by the Global Fixed Income Investment Committee, which consists of the entire team and is chaired by the Chief Investment Officer – Global Fixed Income & Currency.

## Investment Implementation Oversight

### ESG investment practices are monitored by Compliance and Internal Audit

As part of our Compliance Monitoring and Internal Audit processes, Mondrian conducts periodic reviews of the firm's ESG policies, procedures, implementation, and framework to ensure the control environment is adequate.

To ensure that Mondrian votes client proxies in accordance with its Proxy Voting Policy and Procedures and in the best interests of clients, Mondrian has a Proxy Voting Committee which is responsible for overseeing the proxy voting process.