

Responsible Investment Guideline

1. Introduction

At Allard Partners we have always held the view that financial metrics are only one measure of a company's success. To achieve long-term success a business must proactively invest in its people, culture, research, customers and the communities in which it operates. If a company does this effectively over time, it will be reflected in the quality of its brand, business practices, management team and ultimately in its operating metrics.

As such, the examination of **E**nvironmental, **S**ocial and **G**overnance (ESG) factors has always been a natural part of our thought process when assessing a business, particularly when we are 'on the ground' visiting company operations.

In October 2017 we solidified our ESG approach, formally integrating relevant and material ESG criteria into our investment framework and conviction scoring mechanism. This scoring of our conviction incorporates a comprehensive blend of both quantitative and qualitative factors and expresses them as a numerical value to assist us with the process of portfolio construction.

The aim of this Guideline is to:

- Provide a RI framework for the Investment Team and our broader business;
- Promote transparency and foster communication of our RI approach both internally and externally;
- Facilitate compliance with our RI commitments; and
- Form part of our reporting requirements as an official signatory of the **United Nations**-supported **Principles of Responsible Investment (PRI)**.

This Guideline applies to all listed equities throughout the Asia Pacific region which are evaluated for all of the funds and segregated accounts managed by Allard Partners Management Limited, Allard Partners Limited and Allard Partners Australia Pty Limited ("Allard Partners").

2. Investment Strategy

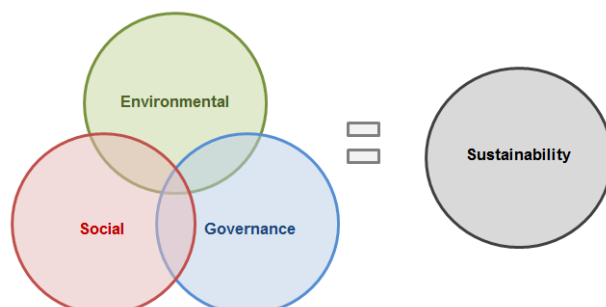
Since we began investing in 1995, our strategy has been to grow our client's wealth over the long-term by:

- 1) Focusing on growing industries with secular tailwinds in Asia's emerging markets;
- 2) Seeking out sustainable and ethical businesses that provide value-added products and services to their customers and communities;
- 3) Relying primarily on intensive proprietary on-the-ground research to build our conviction and knowledge of those businesses; and
- 4) Using a consistent and proven investment framework (based on our qualitative and valuation criteria) to build a concentrated, index agnostic portfolio.

3. Responsible Investment (RI)

RI is an investment approach that focuses on sustainable practices and incorporates upside ESG opportunities and downside ESG risks into investment decision-making and portfolio construction.

Financial metrics alone fail to capture intangibles that are important qualitative elements of investment analysis. Combined with an assessment of the economy, the sector and financial aspects of the company, we believe that the consideration of ESG criteria aids an investor's evaluation of the long-term sustainability of a business in terms of its strategy as well as its ability to attract and retain talent and customers.



4. Why we have Adopted RI

We believe incorporating ESG factors into investment analysis offers enhanced and invaluable insight into investee companies.

ESG considerations are indicators of potential business and earnings opportunities and risks, and hence are an important investment screening tool for sustainable growth opportunities. Given our focus on the emerging markets of Asia where ESG adoption is still in its infancy, there is an extensive variance in awareness, compliance and disclosure of ESG criteria across our investee companies. Therefore, we evaluate specific companies based on a combination of ESG and other factors.

The goal of RI is to seek out companies that have a sustainable business model, which in of itself is often a source of competitive advantage and leads to the ability to attain and maintain superior risk-adjusted returns on capital. Essentially, it identifies industry leaders in their approach to ESG matters. Empirical evidence¹ indicates that unethical companies have generated substandard returns, underperforming as investments over the long-term.

The formal integration of ESG factors into our investment process is therefore expected to positively influence the risk-return attributes of companies in our portfolios, and hence portfolio quality.

5. Our Commitments

UNPRI Signatory

Since August, 2017, Allard Partners has been a signatory to the UNPRI.

In becoming a signatory, Allard Partners aspires to:

- (1) Consider ESG issues in investment analysis, and during decision-making processes;
- (2) Become an active investor and integrate ESG issues into shareholder policies and practices;
- (3) Ask companies we invest in to publish appropriate information regarding ESG issues;
- (4) Promote the acceptance and implementation of the principles within the investment industry;
- (5) Work together with other signatories to enhance our effectiveness in implementing the principles;
- (6) Report on our own activities and progress in implementing the principles.

Further information on UNPRI is available at: <https://www.unpri.org>.

¹ Friede, Busch & Bassen (2015), "ESG and financial performance: aggregated evidence from more than 2,000 empirical studies"

6. Exclusionary Screening

Allard Partners excludes investment in areas with a substantial negative sustainability impact. We therefore exclude companies from our Universe that derive a material (above 20% of total revenue) from pornography or tobacco as we deem them to be unattractive as long-term investments as a result of ESG considerations.

A further exclusion prevents us from making investments in companies involved in the production of controversial weapons, or suppliers of crucial elements of these controversial weapons, or with significant ownership in such companies. Controversial weapons include but are not limited to anti-personnel mines, cluster munitions, chemical weapons, biological weapons and nuclear weapons.

7. Responsibilities

Allard Partners embraces the concept of RI at a firm-wide level. The Board and Investment Committee approve of and support our RI strategy. The RI agenda is led by our Partners and is overseen by our Research Management Team. While we have a dedicated ESG Analyst to co-ordinate the execution of our RI efforts, each of our Investment Analysts is responsible for incorporating ESG factors into their research and analysis so that the Portfolio Manager's investment decisions and portfolio construction are influenced by ESG factors. The Operations, Compliance and Client Relations Teams should also comply with this RI Guideline.

Our RI Approach

8. Integration

Formalising our approach to RI assures that all investment analysis going forward explicitly assesses and records relevant and material ESG factors.

We recognize the investment opportunities that stem from companies which operate in a sustainable manner. As such, in building our investable Universe, we look to penalise and reject investing in companies with weak ESG scores (and the inability to improve their ESG scores) and pursue companies with strong ESG scores (or the ability to improve their ESG scores).

We are developing an internal framework to better examine and subsequently score ESG criteria when evaluating potential and existing investee companies, as we perform our detailed due-diligence.

We expect to score some, or all, of the following factors (which will vary by company, according to its industry and market):

Environmental Factors

Examine how a company behaves with respect to the environment.

Points we may consider include:

- Environmental Laws
- Environmental Policies
- Sustainability

Social Factors

Evaluate how a company handles relationships with employees, suppliers, customers and communities.

Points we may consider include:

- Labour Relations
- Employee Health and Safety
- Customer / Society

Governance Factors

Assess a company's leadership and business partners, audits and internal controls along with treatment of minority shareholders.

Points we may consider include:

- Transparency and Disclosure
- Minority Rights
- Board of Directors

The factors were selected by one of our Senior Partners and ESG Analyst based on our consideration of market norms and what we consider to be important practices and are to be reviewed regularly to assess their relevance. Our Investment Analysts are on a journey to assess all potential and existing investee companies against our in-house ESG checklist consisting of these factors, which over time, are to be engrained into our investment process.

Corporate Governance matters have always been a component within our conviction ratio. We have since widened our research to officially cover Environmental and Social elements in our scoring of conviction.

Internally, we have developed an upgraded, ESG embedded conviction ratio template. The quality of Sustainability is embedded within all questions. There are also specific ESG questions. The derived ESG scores directly impact the overall conviction ratio score, leading to higher or lower conviction. This guides our investment decisions and portfolio construction. As with all other questions within the conviction ratio, these ESG questions are to be regularly reviewed over time by the Investment Team for all our portfolio and active companies.

Companies with low ESG scores and the unwillingness to improve score lower, and ought to be penalised in the form of either: reducing our position in; not being invested in; or exiting our position entirely, and effectively should be added to the reject list (screened out of the investable Universe).

For companies with low ESG scores (but meet our other investment criteria) and the willingness to improve, we aim to focus our research and engagement efforts on assisting them to achieve enhanced ESG practices and should effectively be added to the monitor list (lower priority within the investable Universe until we feel that satisfactory efforts have been made to improve on ESG concerns). We prefer to communicate and interact with management to bring positive changes to their ESG processes rather than to simply divest our position.

Companies with high ESG scores, or medium ESG scores (that meet our other investment criteria) with the willingness to improve score higher, and are likely to be added to the active list (higher priority within the investable Universe) or to be invested in, becoming a portfolio company.

Through this ESG scoring process, the most relevant and material ESG risks and opportunities are identified and prioritized for further research or to be raised with management.

All in-house ESG research, scoring and assessment should be kept live and stored within our centralized database, accessible to all within the Investment Team (including our Investment Analysts, Dealers and the Portfolio Manager) to enhance knowledge sharing on ESG information amongst

investee companies. These points are to be discussed between a Senior Partner and the lead Investment Analyst. This allows for the Portfolio Manager to understand all ESG considerations for investment analysis and decision-making throughout the entire investment process.

Where possible, we will also use reliable external, third-party specialist ESG sources alongside broker ESG coverage to complement or as a cross-check to our in-house ESG scores.

9. Active Ownership

9.1 Engagements

Company engagements are an imperative part of active ownership in our portfolio companies and overarching approach to RI. We understand that the exercise of voting rights though vital, is an implicit and limited way to persuade corporate behaviour. We believe we can help investee companies maximize long-term profitability, and in turn our clients' investment returns, through direct and positive engagement. They also allow us to inform portfolio companies of our proxy-voting policy and rationale.

During each engagement, we intend to work with management in a supportive manner to inspire improvements to their ESG practices on matters we deem crucial. This gives companies a better understanding of our expectations on ESG issues, encouraging heightened accountability in the area. Engagements are essential for us to accurately assess and clarify an investee company's ESG efforts beyond what is publicly disclosed.

Through regular company visits, and meetings conducted by our Investment Analysts, we seek to directly address and understand the ESG policies implemented. This helps us recognize how companies are positioned to mitigate ESG related risks or leverage ESG related opportunities, informing our investment analysis and decisions. Where unsustainable business practices are identified, we may attempt to exercise our influence as shareholders to affect corporate behaviour and outcomes, addressing ESG issues through pragmatic engagement with management.

We encourage transparency and look for information regarding each company's adherence to ESG regulations and guidelines, internal ESG processes, and the management of ESG risks and opportunities. If this information is not publicly disclosed, we may guide the investee company by promoting industry best practice, suggesting the disclosure of all relevant and material ESG matters in company annual reports, presentations and other related publications in a clear and consistent way.

We regularly engage with the management of existing portfolio companies despite our long-term focus. We also aim to meet with the management of potential portfolio companies prior to our initial investment.

The Investment Team employ a multipronged approach to prioritizing engagements. It is both proactive and reactive in nature, logically taking into consideration different aspects including our countries, sectors, ESG themes, holding size, proxy voting decisions, recent ESG incidents and client queries amongst other attributes to ensure that we identify the ESG issues that are most relevant and material.

Our engagements may take the form of e-mails; letters; phone conversations; or face-to-face meetings.

Although our engagements are mostly conducted in private and direct with the companies, we may choose to engage collaboratively with other like-minded industry peers and shareholders on critical issues through bodies such as the UNPRI. We do not, however, partake in collaborative engagement with Governments, regulators or public policy-makers.

Akin to all other in-house ESG research, all engagement information detailing any ongoing discussions, progress and appropriate next steps are to be stored within our centralized database.

9.2 Proxy Voting

Exercising our voting rights at shareholder meetings is also a core component of our fiduciary duties as investors in our portfolio companies and further integrates ESG into our investment process. Though the exercise of voting rights serves as an important indicator of our views to management, engagements are especially effective, offering a proper forum to engage in a constructive two-way dialogue (as previously mentioned).

By voting, we believe we may influence improved Corporate Governance and corporate decision-making, increasing shareholder returns. As we consider ESG factors to have an impact on shareholder value, our Investment Team may take into account ESG issues when voting on behalf of our clients to drive superior, ethically sustainable business practices.

We aim to vote on all possible resolutions and to inform portfolio companies of our voting decisions. However, there may be instances when we may not exercise a voting right and / or may not inform portfolio companies of our voting decisions.

For further detail, please refer to our separate Proxy Voting Policy, which is publicly available via the Allard Partners company website at: <http://www.allardpartners.com>.

10. Training and Development

Allard Partners endeavours to continually strengthen our ESG expertise. To develop the Investment Team's awareness and understanding of RI and ESG factors, we aim to co-ordinate external training and distribute specialist material, including ESG specific reports and presentations.

ESG incorporation forms part of the Investment Team's objectives and performance appraisals.

To promote the acceptance and implementation of the principles within the investment industry, we may contribute to relevant information sharing portals. We will also seek learnings from our peers to enhance our effectiveness in implementing the principles.

11. Transparency and Reporting

Allard Partners' RI Guideline is made publicly available via the Allard Partners company website at: <https://www.allardpartners.com> and to investors upon request. Our annual reports to investors include a reference to where this Guideline can be found.

In addition, as part of our UNPRI commitments, we submit an annual RI assessment report detailing our RI and ESG integration progress and practices.