

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) Considerations in Investment Decisions

Consistent with the United Nations supported Principles for Responsible Investment (PRI), Laurus defines Responsible Investing as an approach to investing that aims to incorporate environmental, social, and governance (ESG) factors into investment decisions to better manage risk and generate sustainable, long-term returns.

The approach to ESG investing is guided by our core values, our clients and our long-term investment horizon. Laurus is appointed by our clients as an investment manager with a fiduciary responsibility to help them achieve their investment objectives over the long term. We believe that companies with sound business practices enhance corporate financial performance over the long term. Broadly, we believe that successful companies in the long term will have:

- a strong and effective board;
- good internal controls;
- effective remuneration structures in line with long-term performance;
- high-quality and meaningful reporting to its shareholders and other stakeholders; and,
- good management of the environmental and social aspects of its business.

Companies with strong corporate governance practices and responsible behaviour towards environmental and social issues will be viewed with favourable consideration and have a positive societal impact. Conversely, companies that have poor environmental, labour or corporate governance practices will in our view do poorly. Our research team actively investigates these issues, and conclusions are incorporated into the investment decision-making process.

In evaluating public companies' ESG practices and policies, our focus is on issues material to the value of the company's share price, which may include but are not limited to: business strategy, financing & capital allocation, acquisitions and disposals, internal controls, risk management, membership and composition of boards of directors and management teams, sustainability, governance, and remuneration.

Examples of ESG factors for which we explicitly analyze practices, policies, and risks include:

- **Environmental:** climate change, greenhouse gas emissions, resource depletion, waste & pollution, deforestation, nuclear energy
- **Social:** working conditions, impacts on local communities (including indigenous communities), health and safety, employee relations and diversity
- **Governance:** Considerations include executive pay, bribery and corruption, political lobbying and donations, board diversity & structure, tax strategy

In cases where ESG-related issues are considered during the due diligence process, we will seek to document the issues considered, findings, and next steps, if any.

Consistent with our fiduciary duty and the belief that constraints may decrease returns and/or increase risk over time, we do not engage in the practice of negative or positive screening in the investment



decision making process. Negative or positive screening excludes or includes companies or sectors from the investment universe based solely on criteria relating to ESG practices or policies. We evaluate companies and investments individually rather than applying screens.

Share interests carry ownership rights and exercising those rights, in accordance with our proxy voting policy and this ESG policy, is an integral part of our overall investment process. In general, we promote equal treatment of all shareholders and vote against restricting the composition or conduct of the Board of Directors. We also seek to ensure that executive compensation and option plans are fair, reasonable, and minimize shareholder dilution. Our Proxy Voting Policy is available upon request.