



Responsible Investment Policy – Somers Limited

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Section A – Introduction

1. Approval Level

This policy is owned by ICM Limited (“ICM”), and any amendments made will be approved by the Board of Directors of Somers.

When the Responsible Investment Policy is updated, details of the changes made are recorded in the version control, and the revised version will be published in the ESG folder.

2. Purpose

This policy is intended for use by the ICM investment team managing Somers. The policy sets forth the commitment by ICM to conduct all business in a lawful manner and in accordance with the highest standards of personal and corporate ethics. Non-compliance with this policy will be treated seriously and can negatively impact both ICM and staff within the organisation.

The objective of this policy is to explain the responsible investment practices to be adhered to by all staff, in addition to the relevant regulations, laws and directives applicable to the operation of Somers. ICM uses the Sustainable Accounting Standards Board (SASB) for guidance on asset class standards used in its Environmental, Social & Governance (“ESG”) assessment tools.

3. Introduction

Somers’ investment objective is to provide long-term total return through a flexible investment policy. Somers’ primary objective is to deliver superior per share total return through both capital and income, which in turn can be expected to be reflected in share price growth. To achieve this, Somers seeks to invest in undervalued companies within the financial services sector and has the flexibility to make investments in a range of financial-related sectors and markets. Somers will identify and invest in opportunities where the underlying value is not reflected in the market or purchase price.

In conjunction with looking at the financial, macro and political drivers when making an investment, ICM will take into consideration ESG risks and opportunities. There is growing evidence that investment opportunities that have taken into consideration ESG factors have the potential to deliver higher investment returns in the long term. However, ICM does not necessarily decide to make an investment based solely on ESG grounds.

The policy is reviewed on a regular basis and updated where necessary to reflect changes in circumstances and actual practice.

Section B – Policy

1. ICM's Philosophy

1.1 What does ESG mean to ICM?

ICM sees value in the intersection of evaluating traditional financial measures alongside sustainability measures. The combination of the two deepens its fundamental research and provides an additional tool to differentiate between companies and sectors that are vulnerable to disruption, and those that are adaptive. ICM employs a disciplined investment process that seeks to both uncover opportunities and evaluate potential risks, while striving for the best possible returns. Consistent with these objectives, its process includes an evaluation of ESG factors. ICM recognises that relevant and material ESG issues can meaningfully affect investment performance, and it thereby seeks to include these considerations in the integrated research analysis, decision-making, and ongoing monitoring.

ICM seeks to draw its own conclusions based on objective, ascertainable facts. ICM believes that each investment should be considered on its own merits, and that the investee management team's intention and actions of are important considerations.

Each ICM Group Fund has an investment mandate that is best suited to the asset classes they manage, and this corresponds with its specific investment philosophy and process. ESG analysis is an inherent component of the research and investment decision making, and over time this approach can reshape competitive advantages, and ultimately the sustainability of business growth and long-term value creation.

ICM is committed to the following three pillars of investment management:

Responsible Investing

Responsible investment is the practice of integrating ESG considerations into ICM's investment management methodology, which thereby supports its fiduciary duty to optimise investor returns. ICM conducts business in a fair and responsible manner. It incorporates responsible investment practices and supports its investments' transition towards more sustainable business models. Ultimately, the main objective of ESG integration remains long-term financial performance.

Ethical Business Practices

ICM values its employees, and considers the environmental and societal factors employed in the investment portfolios and across the organisation. ICM provides an inclusive work environment, manages its direct environmental footprint, and engages with its stakeholders in implementing sustainable practices.

Generating Social Impact

ICM has a long history of cultivating and managing personal relationships with its investee companies. By engaging with investee management teams, ICM sees the benefits and risks beyond what fundamental research reveals and it works with these management teams to progress improvement across all factors including the relevant ESG elements.

The concept of responsible investing has always been one of the founding pillars of ICM's investment process, therefore taking into consideration ESG risks and opportunities is not a new phenomenon. For ICM, ESG is a way to identify and review the long-term drivers of an investment that are not found within the financial metrics.

ESG disclosures are not always easy to understand given that they are not openly reported and considering some of the markets in which ICM operates in, this information may not be consistently disclosed. ICM will therefore actively ensure, where possible, that each "E", "S", and "G" is considered as part of its investment process.

ICM believes the "G" is the core foundation on which all else is built, as strong governance within a company ensures that all stakeholder interests are aligned. A strong system of checks and balances in place helps to prevent investee management teams from pursuing other opportunities not aligned to the investee company's mandate. Without solid governance, respect for minority shareholders can break down and its views can be disregarded.

The "E" and "S" are also focal points for ICM, as assessing material environmental and social risks are essential to a long-term sustainable business model. ICM's view here on suitability levels varies between sectors and regions, however the underlying theme revolves around how its investee companies manage its resources, both natural and human. Given the lack of disclosure by some investee companies, ICM believes that engaging with investees is the best first step, where possible. ICM meets with management teams and discusses these ESG factors, rather than simply divesting or precluding these investment opportunities.

1.2 Why is ESG important to ICM?

There is growing evidence to show companies that embrace the best ESG practices will be in a better position in the long term and can potentially earn higher financial returns. Poorly managed ESG risks can lead to inefficiencies, operational disruption, litigation, and reputational damage, which may ultimately impact a company's financial results and its ability to meet its financial responsibilities. A company that integrates ESG into its operations will have considered all the risks and opportunities, thereby minimising costs, ensuring maximum productivity from human capital, as well as helping improve the company's credibility. In theory ESG should lead to a higher quality of return from an investment. ESG itself has also now become much more of an opportunity for companies as ignoring it is a potential threat. Supplementing traditional financial analysis by reviewing ESG related management practices

and performance is therefore not only prudent but also crucial to ensure that a company is maximising investor returns.

1.3 Negative Exclusion

ICM believes that ESG risks and opportunities are best managed via an integrated approach, although there are certain areas where ICM believes exclusion criteria are justified.

ICM will not knowingly invest in:

- Companies that deliberately and systematically break basic human rights;
- Companies that deliberately harm the local population or the elected form of government, either in their country of domicile or the countries where they operate;
- Companies that directly produce or sell weapons of mass destruction, land mines and cluster bombs, chemical/biological weapons, depleted uranium weapons and nuclear weapons as part of their business; and,
- Companies that have a material part of their business operations in tobacco and pornography; and,
- Companies involved with the financing, trading and promoting of poaching and trafficking of endangered species.

ICM will seek to avoid investments in:

- Companies that through a substantial part of their activities may incur significant and uncalculated liabilities related to health-related claims or environmental abuse; and,
- Companies that may be in breach of international standards through systematic corruption and bribes, and show no signs of improving this behaviour.

1.4 ESG Screening

In regard to Somers, ICM does not passively screen based on ESG criteria or rely on third-party ratings / ESG data providers to assess a company's approach to ESG. Instead ICM will look for sound investments based on a bottom-up approach, where there are strong financial fundamentals and attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment. Parts of ESG will naturally flow into this approach, but only when further work on an investment opportunity is made will the full ESG factors be considered.

2. Our Approach

ICM approaches ESG in three ways:

- Understanding: in depth analysis and understanding of the key issues that face potential and current holdings, as well as deep understanding of the industry in which they operate in.
- Integration: incorporate the output of the 'Understanding' component into company analysis to ensure a clear and complete picture of the investment opportunity is obtained.
- Engagement: work with portfolio companies on the key issues on a regular basis and where possible hold face-to face meetings to help them understand and guide them towards an improved ESG position.

2.1 Understanding

ICM is continuously seeking to increase its understanding of all investment opportunities and risk, consequently increasing its understanding and knowledge of ESG issues. ICM's investment team for Somers is regularly reviewing investments, writing results notes and internal update notes on material issues, as well as producing weekly reports summarising key findings.

The investment team meets monthly to discuss key issues, ranging from higher level macro developments to detailed company specific points, to ensure all team members are aware of how the portfolio and potential new investments are performing. Where possible, the investment team also travels to visit investment prospects, which gives the team a face to face opportunity to ask management teams what they perceive to be the key operational, social and environmental issues, as well as a chance to see assets operating first hand.

2.2 Integration

ICM actively selects investments, and as an integral part of this process ICM's investment team will consider whether an investment is in line with Somers' guidelines, which includes ESG considerations. These guidelines ensure ESG factors are reviewed for all investments in the same manner as other research material is considered. These elements include understanding the financial implications of the risks, and pricing the risk premium associated.

As ESG plays a key part of in the investment process, and given the nature of ICM's investment opportunities, ICM has developed its own internal process to assess a company's "E", "S" and "G", rather than relying on an ESG provider. Each analyst has to answer a list of questions covering the full spectrum of the "E", "S" and the "G", and while the "G" is consistent across sectors, this may differ for "E" and "S" given the different sector / industry risks. Each question is ascribed a yes / no or 1-5 response, with each question being given a weighting within each category. The weighting that is applied to each question can vary depending on which sector the company operates in and depending on the materiality of the issue for the sector.

As noted, though ESG factors may ultimately influence an investment decision, the specifics of the integration and weight put on various factors can differ between investments. ESG risk factors are considered part of the broader investment process such that screening via ESG criteria does not automatically exclude investments, and it will not necessarily be the key determinant in the final investment decision making process. If an analyst believes that the investment return outweighs the ESG risk (which should be correctly reflected in the company's valuation) then an investment may be made.

2.3 Engagement

Given that ICM are long term investors, engagement with management teams is and will remain paramount to its investment approach. At the investment stage, ICM integrates ESG factors into its research, analysis and decision-making processes. ICM are active owners, working with investee companies to incorporate stronger ESG principles. As shareholders, ICM votes in a considered manner and works with investee companies to drive positive change.

There are several different ways in which ICM typically engages with investee companies. These include:

- Face to face engagement - where possible ICM will travel to meet investee company management teams, discuss its ESG policy and identify any gaps, and help them improve its ESG disclosure and ESG implementation. ICM has found that as ESG disclosures can be inconsistent and sporadic, these face to face meetings garner information from management teams that is otherwise not disclosed.
- Strong communication channels – as ICM are long term investors and have traditionally met with management teams face to face before making an investment, a good rapport is usually built with the investee companies. ICM works with investee companies on any identified risks and guides them on how to incorporate stronger ESG principles with constructive comments and suggestions on how investee companies can improve its ESG position.
- Proxy voting – being proactive in voting is key, as through this mechanism ICM can encourage and improve good corporate governance. ICM votes on all available shareholder resolutions, whether through physical attendance at a shareholder meeting or via proxy (see section below)

2.4 Environmental and Social

For “E” and “S”, ICM has identified the most ‘material’ risks that are believed to affect each sector in which ICM invests. Each sector then has key questions identifying the most key risks and value drivers. These key risks and value drivers have been identified by utilising ICM's internal in depth understanding of each sector as well as referencing SASB industry standard.

Each risk / value driver is then assessed against each company, ranking the company between 1-5 for the company's ability to:

- Strategy – does the company have a strategy in place to manage this risk and is it suitable / sustainable?
- Disclosure – how clear and effective is the company's policy around these issues and in disclosing its approach?
- Performance – how well is the company doing against its objectives to manage this risk?

The scores from this analysis feed into an "E" and "S" score. This analysis will not be able to capture all potential environmental and social factors, however it aims to capture the ones that ICM deem to be most material. ICM then apply a weighting for "E" and "S".

2.5 Governance

For ICM, corporate governance is paramount to any investment as ICM ideally would like the company's management to be aligned with all stakeholders. ICM therefore has questions covering shareholders rights, transparency, and related parties as well as audit and accounting, board composition and effectiveness, executive oversight, and compensation. As noted, each issue is weighted.

ICM then applies an aggregated weighting towards "G". This is in line with the strong empirical evidence linking strong corporate governance and performance, which is consistent with ICM's belief that good corporate governance is key.

2.6 Proxy Voting

ICM has the discretion to determine the best course of action to maximise shareholder value, in accordance with its priorities and its fiduciary duty. Proxies and shareholder proposals of an environmental, social, or governance nature are reviewed carefully. Final vote execution is based on a holistic view of the best economic outcomes.

ICM will vote in line with the following principles:

- Board of Directors to be suitably skilled, diverse, and independent.
- Remuneration policies – sensible and long term focused.
- Capital allocation – disciplined and value accretive.
- Respect for minority shareholders interest – e.g. use of related party transactions, voting rights and royalties etc.
- Strong corporate culture reflecting the interest of the wider stakeholders.

All of these points enable ICM to have a better relationship with its investments.

ICM uses the ProxyEdge system for voting. The ICM Operations department, as well as each investment analyst will receive notifications with regards to the holding within the portfolio. The investment analyst will then be responsible for recommending how proxies relating to

securities held in the portfolio should be voted, and the ICM Operations team will ensure that the investment analyst has voted before the voting deadline. With regards to the voting decision, the investment team will ensure the above principles are taken into consideration.

2.7 Collaboration & Promoting Best Practice

ICM's approach and strategy will evolve as the development of its Responsible Investment Policy and procedures continue to be informed by reference and consideration of current best practice.

ICM is committed to working on promoting the incorporation of ESG factors into investing, and sees its memberships including the Asian Corporate Governance Association and the UN-supported Principles of Responsible Investment as an important mechanism for achieving this. Overtime, ICM will review and consider involvement in other ESG investment related industry initiatives and/or organisations as appropriate, determined at both at an ICM and Somers level.

2.8 ESG Resourcing & Governance

Oversight and management of the responsible investment management process ultimately forms part of the Board's responsibilities for Somers, along with oversight by ICM's ESG Committee. Somers' Board has delegated operational responsibility to ICM's investment team to use its expertise, as they are best placed to make the valuation and portfolio construction decisions. As ESG issues are regional and sometimes differ between countries and sectors, with varying regulations and practices, the responsibility for this specialised research lies with the investment team responsible for Somers to best manage this for its respective jurisdictions, and to adhere to ICM's corporate policies.

2.9 Transparency

In order to make sure that Somers' investors are informed about how the portfolio is performing, as well as reporting on its ESG investment risk efforts, a quarterly financial results report is sent out to investors as well as published on the website. This quarterly report clearly indicates how the portfolio has performed as well providing commentary of the top holdings. In addition, Somers publishes full year accounts, which contain a synopsis on the top holdings.