Hardman Johnston Global Advisors

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Environmental, Social, and Governance Policy

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Hardman Johnston Global Advisors LLC ("Hardman Johnston") is an independent, global equity boutique investing in high-quality, growth companies at value prices. Our disciplined investment philosophy is based on two key tenets: (1) we believe earnings growth drives stock performance over time and (2) we believe there are short term inefficiencies in the market that create attractive entry points. For over 30 years, we have followed a focused and disciplined investment process that results in concentrated, high conviction portfolios with low turnover and high active share.

Our goal is to generate superior long-term returns by following this philosophy and disciplined process. Consistent with that goal, we have an obligation to understand the long-term sustainability of a company's business model and factors that could cause it to change. In addition, as fiduciaries of client capital, we have a responsibility to consider the risks and opportunities that have the potential to influence investment outcomes. We believe ESG factors can play a material role in determining both the sustainability of a business model and investment risk and returns. Consequently, we seek to invest in companies that take a long-term perspective and are thoughtful stewards of both financial and non-financial resources, including the environment and society. We also believe that a commitment to sound corporate governance principles is a key feature of a high-quality company. As such, ESG analysis is an inherent part of our deep fundamental research process.

We approach ESG analysis with two primary objectives. First, we expect ESG analysis to inform our investment cases, enabling us to build greater conviction and reach better investment decisions. Second, we expect ESG analysis to inform our clients, allowing them to better understand how ESG factors fit into their portfolios.

Principles

Our approach to ESG is driven by the following five core principles.

Integration – We believe ESG factors are important components of investment decision making and must be fully integrated into the investment process. This means ESG factors are considered alongside traditional investment criteria such as business model sustainability, financial analysis, valuation, industry trends and other considerations when making investment decisions. This approach allows the insights that ESG factor analysis can generate to be incorporated in the investment case. For example, ESG factors can inform financial calculations such as earnings growth and forward earnings estimates. Integrating ESG factors is the responsibility of our research analysts and portfolio managers.

Materiality – ESG factors can vary in importance and are dependent on the region, country, industry and company. For example, a poor environmental rating poses greater risk to a natural resources company, then it does to a consulting firm. In addition, headcount reductions can result in a poor ESG rating, but are often a necessary outcome from a merger. We believe strong industry and company knowledge allow our investment professionals to make the appropriate judgement about which ESG factors could have the greatest investment impact.

Independence – While we leverage external sources in our research to identify key ESG issues, we do not rely solely on third party opinions when analyzing ESG risks. We develop our own independent view and analysis of ESG risk factors.

Engagement – When necessary, we engage with Company management to better understand their long-term strategy and discuss certain issues, including ESG. When merited, we will proactively express our views regarding business strategy, governance, financial reporting, ESG factors and other stakeholder considerations.

Education - Due to the evolving nature and complexity of ESG issues and factors Hardman Johnston makes responsible investing education and training services a priority to all relevant team members to further their skills and knowledge in ESG analysis. As part of our continuing education, we seek to participate with collaborative organizations. In 2020 we became signatories of the UN Principles for Responsible Investment (PRI) and in 2022 we became public supporters of the Task Force on Climate-Related Financial Disclosures (TCFD).

Integration

ESG research and evaluation is incorporated into every step of our investment process.

Third-party ESG ratings are loaded into our proprietary screen and ranking system, which is used to distill the global/international equity universe into a pool of potential new investment ideas. The ratings are not used in the calculation of the ranking factors for each stock but are displayed for information purposes to guide the analyst on potential issues.

The research process on a stock begins when it moves into the top quartile of our ranking tool. Initially, the analyst seeks to identify “fatal flaws” that would eliminate the company from further consideration. Significant ESG risks are one such flaw; other examples include: poor management, extreme leverage, and an overly complex business plan.

Assuming there are no “fatal flaws”, the stock then moves into deep fundamental research where ESG factors are an important component of the overall analysis. At this time, ESG factors are researched along with the other investment components such as financial analysis, valuation metrics, business model sustainability, industry trends, macroeconomic and other factors. Our research analysts gather relevant ESG data from various sources such as company reports, specialized ESG data providers, regulatory filings, industry reports, and sustainability rating agencies. Our analysts will also take into consideration whether a company’s overall ESG factors are improving, and managements’ track record in addressing such matters. The analysts then conduct a materiality assessment, identifying ESG factors that are most material to the company’s industry, operations, and long-term financial performance. Not all ESG factors are equally important across different sectors, so understanding materiality is key. The analysts’ view of a company’s ESG factors is included in the thesis report written to document the investment case and stored in our research library.

Once a stock becomes a portfolio holding, analysts and portfolio managers continue to monitor its fundamentals, including ESG factors. Updates to an investment's ESG considerations, including specific changes to our evaluation techniques continue to be documented and added to our research library. In addition, third party ESG ratings for all portfolio holdings are monitored by our Senior Director, Portfolio Attribution and ESG.

Our ESG integration process does not include blanket exclusions based solely on ESG factors. Our view is that exclusions solely for ESG factors need to be considered along with the client specific investment objectives. If the decision is made to exclude without consideration of other investment components, there is the potential for a trade-off of financial return.

In order to support our analysts and portfolio managers ability to analyze ESG factors, we consider several sources, including third party ESG rating services, external experts, participation in ESG conferences and related organizations.

Engagement Policy

We define engagement as the direct interaction with management and directors, as well as proxy advisors with the intent of learning about, influencing and exchanging perspectives on a company's environmental practices, corporate governance, and social issues affecting the business. Our engagement is at the company level as we seek to identify and understand ESG factors to protect and enhance our client's value creation.

Our engagement program takes place through dialogue with management and board members through investor meetings, private meetings, conference calls and proxy voting. Our engagement topics will vary between geographic regions, industries and among companies. Most of our engagement is research-driven as we seek to understand how material ESG factors affect our investment case. On occasion, we may express our concern, or suggest a specific change at a company, but these are limited situations where we believe our time and resources will be utilized effectively.

Hardman Johnston's escalation strategy is determined on a case-by-case basis. In instances when a company is demonstrating poor practices around ESG issues, we will engage with the company. If the company is not receptive or if the engagements do not lead to a desired result, we may vote against board re-elections, write letters to the board or management and, in limited cases, liquidate the position. We are not activist investors as it would take resources away from our deep fundamental research process.

ESG engagements are carried out by our research analysts and frequency of these interactions and the rationale of all our engagements are tracked internally. In addition, formal letters to management and board members are also stored internally.

Proxy Voting Policy

As most of our clients entrust us with proxy voting for their portfolios, we handle this duty with the same level of care and thoughtfulness as investing. Voting guidelines are based on principles leading to long-term value creation. We understand that this is an effective way to send messages to management about policies or behavior we may not agree with. We rely on the shareholder elected board of directors to represent our client's interests and those of all shareholders. Additionally, we expect companies we invest in to adopt and adhere to governance principles that reflect good corporate stewardship of shareholder assets and showcase responsible corporate citizenship. We also expect the companies we invest in to behave in a responsible manner, observing wider obligations to their communities and environment, and we believe the companies we invest in should have effective oversight in place to monitor and manage their environmental and social issues to avoid any legal, financial, reputational, and regulatory risks.

Lastly, we rely on an experienced and knowledgeable service, Glass Lewis & Co., to advise us on proxy voting, but we approach the task with a principle of independence. Hardman Johnston reviews all ballot recommendations to ensure the best long-term potential for value creation and alignment with responsible corporate citizenship.

Oversight

This Policy is administered by the investment team. In addition, the firm has established an ESG Oversight Committee which consists of four permanent members: the CEO/CIO, the Director of US Strategies, the President and the Senior Director, Portfolio Attribution and ESG. The ESG Oversight Committee meets at least quarterly. A majority of the members constitutes a quorum. The Senior Director, Portfolio Attribution and ESG acts as secretary and maintains a record of Committee meetings and actions.