

FIM Partners

Responsible Investment Policy

1. Introduction

FIM Partners provides asset management services to institutional investors globally across several asset classes and investment objectives, all sharing the common aim of generating attractive risk-adjusted returns. This Policy describes how FIM Partners is committed to reaching that common goal through an investment approach that incorporates environmental, social, and corporate governance (“ESG”) factors.

We believe that ESG issues can indeed affect the long-term performance of investment portfolios and by incorporating ESG analysis as an integral part of our investment process, we are gaining deeper insight into potential latent risks to prospective financial gains and avoid them accordingly. Furthermore, we see ESG as an opportunity to engage our portfolio companies and collaborate with them on implementing best international practices which will lead them to a path of long-term sustainable growth. We utilize internal and external resources to assist us in analyzing ESG issues, engage with companies in which we invest, and when authorized, we exercise proxy votes.

As signatories of the United Nations Principles for Responsible Investment (PRI), we are committed to an ongoing and long-term process of improving our approach to integrating ESG into our investment processes, decision making and active ownership practices. This Policy reflects our current approach, and we expect this Policy to evolve over time to reflect changes in business practices, business structures, technology, and the regulatory landscape. Accordingly, we monitor this Policy on an ongoing basis and will typically review our approach annually.

2. Our Principles

While our overriding duty as mandated by our clients, is to maximize investment returns without undue risk of loss, in our approach to responsible investing, we will favor investee companies that:

- Do not have activities in excluded jurisdictions and sectors, as outlined in our Exclusion Policy (discussed in detail below)
- comply and monitor compliance with all applicable laws;
- as appropriate, minimize adverse impacts and enhance positive effects on the environment, workers, and all stakeholders;
- commit to continuous improvements with respect to management of the environment, social matters and governance;
- work over time to apply relevant international best practice standards;
- employ management systems which effectively address ESG risks and realize ESG opportunities as a fundamental part of a company’s value.

3. Governance

ESG is an integral part of the investment due diligence process which entails developing a holistic view of an investment that goes beyond a mere quantitative analysis. As such, all members of the investment team are responsible for evaluating the ESG credentials of existing and prospective investments and monitoring portfolio investments for material changes.

The Head of Research leads the firm’s ESG efforts and has oversight over the development and implementation of the firm’s ESG process & procedures and reviews the team’s work to ensure consistency across the firm. In addition, the firm’s Head Strategist is responsible for a top-down review of the ESG considerations for the markets that the firm invests in.

In 2019, the firm established an ESG Steering Committee which is chaired by the CIO and senior

members of the research and compliance team. The Steering Committee convenes on a quarterly basis and aims to assess the investment team’s ESG efforts and identify areas which will further improve the firm’s ESG capabilities.

4. Investment Strategy

FIM Partners is well positioned to integrate ESG factors into the investment process given the relatively long-term investment horizon of our strategy. We believe responsible investing extends beyond the evaluation of quantitative factors and traditional fundamental analysis and should include analysis of an entity’s impact on its stakeholders, the environment and society. We recognize that ESG factors can affect investment performance, expose potential investment risks, and provide an indication of management excellence and leadership.

Furthermore, we find that an ESG focus can be a source of alpha as it helps to provide an “information advantage”. This is especially true in the markets in which we invest where there is lower data transparency compared to developed markets. The more we engage with the management of investee companies on ESG issues as well as on others, the more we understand about their businesses, and thereby enhance our information edge.

5. ESG Approach

Our ESG approach entails an Exclusion Policy coupled with an ESG integration process. We prune our investment universe by excluding countries/companies that do not meet the thresholds outlined in our Exclusion Policy before delving into conducting a thorough ESG Integration analysis of prospective investments.

I. Exclusion Policy

FIM’s Exclusion Policy seeks to exclude investments on three levels:

- (i) Country Exclusion: We exclude investing in countries that are subject to sanctions i.e. economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by one or more Sanctions Authorities¹,
- (ii) U.N.G.C Violations: Companies that have a history of persistent and serious violations of one or more Principles of the U.N. Global Compact (U.N.G.C – See Appendix 2) and have not implemented any measures to reduce the risks for further violations. For companies that fall under this criterion, we review their practices as part of our annual universe screening and would allow a company to become part of the investment universe should we see significant progress towards rectifying the original instances that excluded them in the first instance, and
- (iii) Sector Exclusion: We have excluded investments in certain sectors based on their substantial long-term ESG tail-risks and our internal standards as a responsible investor. Unless specifically noted in terms of revenue threshold (in parentheses), these sectors are automatically excluded from our investment universe:
 - a) Tobacco: Production (5%)/Distribution (5%)
 - b) Alcohol: Production (5%)/Distribution (5%)
 - c) Gambling
 - d) Adult Entertainment including Pornography
 - e) Illegal & Nuclear Weapons, including but not limited to Cluster munitions, Anti-personnel mines, Biological Weapons, Chemical Weapons, depleted uranium

¹ Sanctions Authority could be and not limited to the U.S. Govt, U.N. Security Council, European Union and the U.K. Treasury. Our Fixed Income strategies may deploy additional country exclusion criteria based on the Fund for Peace’s Fragile State Index.

munitions and Non-detectable fragments, incendiary and blinding weapons

- f) Coal Mining (30%): Introduced into our RI policy in 2020, we have decided to exclude all companies that derive more than 30% of their revenues from coal mining.

II. ESG Integration

This involves a holistic analysis of each prospective investment in the realm of Environmental, Social and Governance factors. FIM Partners has developed proprietary ESG scorecards for each asset class which evaluate every investment across a number of quantitative and qualitative criterion. Scorecard information is derived from public filings, databases and management questionnaires (in the case of corporate/equities) which are circulated on an annual basis, and information gleaned from our engagement activities.

Portfolio investments are supposed to meet a minimum scoring threshold. However, the investment team has discretion to make an investment that fails to meet this threshold should there be sufficient evidence to show that the score would improve above the threshold in the near future. Our thought process behind this approach is that a score is a static reflection of ESG credentials and our goal is to assess the future direction. At the same time, the investment team monitors investments for controversies via our external provider along with publicly available information. Scorecards are updated on annual basis for existing investments, unless a material event occurs in the interim.

The occurrence of a post-investment controversy or material ESG risk will not trigger an immediate divestment. Instead we value the power of constructive dialogue and prefer to engage with the companies to understand the reason for the event and what is being done to rectify it. Should we conclude that the company does not plan to rectify the event and there is a high likelihood of the event recurring, we will only then divest our holding.

Additional details about our ESG integration approach can be found in our asset class specific ESG Framework documents, which can be shared upon request.

6. Engagement

Engagement is a critical element of our Responsible Investment approach as we see divestment as an action of last resort. Our decade long experience in our investment space has shown that companies are likely to enact meaningful change through constructive dialogue. Our engagements focus on issues that could have a material financial impact with priority given to the top ten holdings of a particular strategy and/or investments facing a material ESG concern.

We believe that our investment professionals are in the best position to evaluate the potential impact that ESG issues or the outcome a given proposal will have on long-term shareholder value. As such, responsibility for our engagement activities rests with our investment professionals and are fully integrated into our investment processes, rather than being delegated to external consultants.

The normal methods through which FIM Partners engages with companies are:

- Ongoing dialogue with the company management through regular meetings, annual questionnaires, visits, and telephone calls during which FIM Partners discusses and poses questions on operational, strategic, and other management issues and, where appropriate, will offer its own opinions and comments;
- Proxy Voting (as discussed further below).

7. Proxy Voting

Where the power to vote proxies or to take shareholder actions on other corporate actions has been delegated to FIM Partners, we vote proxies and act in the best interest of our clients based on what we believed will maximize shareholder value as a long-term investor, all in accordance with our Proxy Voting and Corporate Action Policy. Our voting is limited to companies in which we in aggregate hold no less than 0.5% of the total outstanding shares.

We believe that our investment professionals are in the best position to assess the impact that a given proposal will have on long-term shareholder value. Our investment professionals formulate their vote recommendation based on research of the company and assessment of the specific proposal. Our investment professionals may engage with the company’s executives or board members to improve their understanding of a proxy proposal and/or to provide our advice on how a company can enhance their corporate governance practices.

We generally support shareholder proposals that require reasonable disclosure of information related to ESG factors. We also support, where relevant, proposals requesting the review or adoption of environmental or social policies.

Where a client delegates responsibility for proxy voting to us, we will report on all voting activity undertaken on their behalf as such frequencies as they require. Information on how FIM Partners voted securities within a reporting period and information regarding the rationale for proxy-voting decisions in a client’s portfolio may also be provided upon request. We generally view the clients’ voting records as their property, rather than ours. Generally, we do not disclose detailed voting records publicly, except where we might be required to do so by law.

8. Policy Scope

The Responsible Investment policy applies in principle to all of our strategies across asset classes with the exception of separately managed accounts unless the client has formally opted-in.

Issued by the Compliance Officer: June 2020

Version	Date	Occasion
1	July 2017	Re-branding of document
2	June 2019	Consolidating ESG framework into the policy
3	June 2020	Updated Exclusion List, Governance and Scope of Policy

Appendix 1: United Nations-supported Principles for Responsible Investment (“PRI”)

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

Source: www.unpri.org

Appendix 2: UN Global Compact (10 Principles)

1. Support and respect the protection of internationally proclaimed human rights	Human Rights
2. Make sure they are not complicit in human rights abuses	
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining	Labour Standards
4. Uphold the elimination of all forms of forced and compulsory labour	
5. Uphold the effective abolition of child labour	
6. Eliminate discrimination in respect of employment and occupation	
7. Support a precautionary approach to environmental challenges	Environment
8. Undertake initiatives to promote greater environmental responsibility	
9. Encourage the development & diffusion of environmentally friendly technologies	
10. Work against all forms of corruption including extortion & bribery	Anti-Corruption

Appendix 3: Examples of ESG issues considered for the ESG Scoring

Environmental (E)

- Environmental impact and related risks
- Greenhouse gas (GHG) emissions,
- hazardous chemicals, pharmaceuticals, pesticides and wastes;
- New regulation and potential change to regulation
- Renewable energy
- Energy efficiency
- Chemical pollution
- Waste management
- Water management

Social (S)

- Involved in child labour;
- Freedom of Association
- Workplace health and safety
- Product safety & quality
- Community relations

- Corporate Behavior
- Labor standards and human rights issues in the supply chain
- Transparency and accountability

Corporate Governance (G)

- Best practice standards intended to prevent extortion, corruption, bribery and financial crime, whistleblower policy, etc.
- High standards of business integrity and honesty
- Internal & External Stakeholder Engagement
- Use of effective systems of internal control and risk management covering all significant issues, including environmental, social and ethical issues.
- Capital Allocation
- Board Structure
- Board Independence
- Shareholder Rights
- Risk Oversight Committees
- Management Protocols
- Compensation Policies
- Auditor Structure and independence of auditors
- Accounting and disclosure practices
- Transparency and accountability
- History of lawsuits, regulatory fines and criminal cases