

RESPONSIBLE INVESTMENT AND ENGAGEMENT POLICY

RESPONSIBLE INVESTMENT

Kabouter Management (“Kabouter,” “we” or “our”) invests primarily in non-U.S. small- to mid-cap companies on behalf of its clients. With the exception of our quantitative investment strategies, the firm applies a single investment process across its various investment strategies. Our objective is to maximize long-term returns for our clients by investing in under-appreciated companies which benefit from specific secular growth themes.

Kabouter acknowledges that environmental, social, and governance (“ESG”) factors may have both direct and indirect impacts on corporate profitability, long-term portfolio performance, and risk. With this in mind, our primary objective for considering ESG issues is improving the risk/return trade-off of our clients’ investments rather than simply applying specific ESG screens to eliminate certain companies from consideration for the portfolio. As a result, ESG considerations are typically part of our overall investment process when considering client investments. However, we may customize portfolios for clients by applying a faith- or ethics-based negative screen to meet the client’s investment objectives.

In applying our investment process, Kabouter has adopted the following guiding principles:

- I. We recognize the importance of material ESG factors across markets, industries, and time. We believe it is prudent to take into consideration ESG risks or opportunities that may impact the value of our clients’ investments.
- II. We consider ESG factors we deem material during the research process to try to both minimize investment risk and maximize opportunities. We define materiality in terms of the impact on net income over long periods of time rather than forming an ethical viewpoint. However, in some accounts, we apply faith- or ethics-based negative screens.
- III. To the extent we deem necessary, we encourage the companies in which we invest to improve ESG practices and disclosure because we believe it will enhance their long-term performance and attract investor interest which can lead to greater shareholder returns.
- IV. Kabouter will ensure it has the resources to adhere to these guiding principles and to aid clients in their understanding of ESG-based investing.

Our guiding principles are subjective and are not intended to place strict limitations on a client’s portfolio unless the client has mandated certain specific ESG investment restrictions. Accordingly, ESG-based factors are some of the principal criteria considered when making investment decisions.

ENGAGEMENT

After investing, Kabouter typically engages with portfolio company management teams, utilizing a friendly engagement approach that seeks to promote institutional discovery and unlock value. The firm’s four main pillars of engagement are ESG, investor relations, strategy, and financial. We are also active in structural advocacy work, which we include in our fifth engagement category. Given the long-term nature of our investments, we have a vested interest in engaging with our portfolio companies to help realize

their potential and create real economic impact. To the extent we wish to engage with portfolio companies on specific ESG matters, we pursue ESG improvements where we believe we can drive meaningful operational and economic benefits for the company.

GENERAL PRACTICES

Collaboration

Kabouter's strategy to identify under-appreciated small-cap companies and then accelerate their discovery is greatly aided by our relationships with other investors globally. Each year, we have consistently expanded the quality of our network by joining like-minded investor groups like the UN Principles for Responsible Investment ("UN PRI") in 2017. We are also a Japanese Stewardship Code signatory and support the Task Force on Climate-related Financial Disclosures ("TCFD"). In addition to these formal investor groups, we have also built our own investor network through our periodic investor round table meetings, roadshows we plan for portfolio companies, and collaborative engagements.

Governance Structure and Oversight

Kabouter believes ESG should be integrated at the investment decision-making level and, therefore, the investment team members are responsible for ESG analysis and ESG engagement for the companies they cover. The portfolio managers provide oversight of ESG integration and engagement.

Reporting and Transparency

Kabouter generally reports on its ESG integration, engagement, and/or voting through its UN PRI report, UN PRI and Japanese Stewardship Code compliance statements, quarterly letters to investors, and investor questionnaires.

Climate Change Policy

When deemed appropriate in implementing our investment program for a particular portfolio company, we leverage climate-related information to evaluate material applicable risks and opportunities, for example the long-term growth prospects for the portfolio company. Based on the results of our analysis, we may encourage portfolio companies to improve disclosure of preexisting practices such as creating annual sustainability reports, expanding their website to include a sustainability section, recommending changes to or the adoption of additional policies, or communicating with third-party ratings agencies.

Kabouter believes that some of the world's greatest challenges can also be some of the greatest business and investment opportunities. We support the Paris Agreement, which provides a framework for guiding a global effort towards combatting climate change, and the UN Sustainable Development Goals, which outlines 17 key priorities for a more sustainable world. These frameworks have helped us better understand future development opportunities and heightened risks across our portfolio. Our views on these topics are not politically or ethically based but, rather, our position is that more ambitious sustainability targets set by governments have the potential to accelerate growth, improve efficiency, and reduce risk for some of our portfolio companies. We believe that achievement of these goals, and a faster adoption of sustainability practices, can have a net positive financial impact for our portfolio.

Formalized ESG Integration Factors and Engagement Issues

To the extent deemed appropriate for a particular investment, Kabouter will use a proprietary ESG tool to evaluate a company's ESG exposures and to prioritize ESG engagements. The tool uses a combination of voluntary survey responses from companies, public disclosures, and third-party data sources and contains sections focusing on key environmental, social, and governance factors, which are weighted based on quality and disclosure. For example, the tool may include information such as the following: carbon emissions, waste discarded, energy consumption, water usage, whether the company has a waste reduction plan, biodiversity policy, climate change policy, employee turnover, gender diversity, workforce accidents, fatalities, health & safety policy, fair wage policy, an employee CSR awareness policy, human rights policy, business ethics policy, consumer data protection policy, quality assurance and recall policy, whistleblower policy, degree of management and board influence over the company, degree of reliance on management execution, shareholder friendliness, and other fundamental factors such as volatility of profitability.

Screening

As part of our overall investment process to identify portfolio companies, we may use positive screens to identify companies in structurally growing industries. For example, we may use keyword matching algorithms to identify companies in accordance with UN Sustainable Development Goals, other sustainable growth themes, and specific business descriptions. In addition, based on our clients' responsible investment objectives, we may use third-party screens to identify companies that may violate a client's ethics- or faith-based investing criteria. We work closely with clients to identify negative screen criteria based on their specific investing criteria.

Incident Management

Kabouter periodically reviews its portfolio companies' ability to manage the material risks attendant to each portfolio company's business, including those related to ESG issues. To the extent deemed necessary, Kabouter may use its ESG tool to identify areas of ESG practice and disclosure improvement. Kabouter may prioritize and engage with companies to improve company policy and/or policy disclosure in order to mitigate potential incidents.

Prioritization of Engagement

Since companies often face multiple ESG issues, we prioritize engagement based on a range of factors and determinations which we believe will add the most value over our holding period. We seek to engage constructively by asking probing questions and creating two-way dialogue. We strive to align incentives by explaining our concerns and expectations and allowing time for companies to respond.

Investment Time Horizon

When evaluating a prospective company, Kabouter uses a time horizon of five to ten years.

Sustainability Objectives and Outcomes

Kabouter may measure the success of its ESG engagement initiatives by monitoring:

- 1) Improvement in business policies and practices,
- 2) Improvement in third-party ESG scores, and
- 3) Increased institutional discovery.

Proxy Voting

Where applicable, Kabouter takes material ESG factors, which may include the factors listed above as well as the factors listed below, into consideration during its proxy voting process. We do not delegate voting authority to a third-party and vote in the best interests of our clients (note that some clients have retained proxy voting discretion). As part of Kabouter's engagements with companies, the firm may sometimes maintain a dialogue with companies pre- and/or post-vote.

1. **Governance:** We utilize the Sustainability & Research reports from ISS that supplement the proxy voting subscription. We also utilize our own risk management checklist, which includes material ESG factors. The guidelines are not always followed due to our own interpretation and the company's specific circumstances.
2. **Environmental:** Our policy requires that we take into consideration material environmental factors for each company, based on the company's unique exposures, to make the decision that's in our clients' best interests.
3. **Social:** Our policy requires that we take into consideration material social factors for each company, based on the company's unique exposures, to make the decision that's in our clients' best interests.

Disclaimers

Consideration of ESG investment factors can be qualitative and subjective by nature, and there is no guarantee that criteria utilized, or the judgment exercised by Kabouter will (i) reflect the beliefs or values of any investor, (ii) result in any actual changes at a portfolio company, or (iii) increase the returns of our investments. Information regarding ESG practices is obtained through voluntary or third-party reporting, which may not be accurate or complete, and Kabouter is dependent on such information to evaluate a company's commitment to, or implementation of, ESG practices. ESG norms differ by region. There is no assurance that ESG related investment considerations will be successful. Past performance is not a guarantee or reliable indicator of future results.

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