Arcus Group Responsible Investing Policy Pack

August 2023

Contents

This Arcus Group Responsible Investing Policy Pack ("Policy") was reviewed and approved by the Arcus Group Management Committee ("AGMC") in August 2023. The policy is to be reviewed at least annually , or in the event of significant and relevant changes to the legal / regulatory environment, asset classes, or investment strategy. Any changes to the Policy will be approved by the AGMC and circulated to the employees across Arcus with responsibility for any or all of the following activities: investment research, investment advice and investment / portfolio management (the "Investment Team"). Arcus Investment Limited ("AIL"), Arcus Investment Asia Limited ("AIAL"), Arcus South East Asia SDN. BHD. ("ASEA") and Arcus Research Limited, Japan Branch ("ARL") are hereafter collectively referred to as "Arcus" or the "Arcus Group". Arcus Japan Fund ("AJF"), Arcus Zensen Fund ("Zensen"), Arcus Genseki Fund ("Genseki"), Arcus Japan Value Fund ("AJVF"), are collectively referred to as the "Arcus Funds".

1 Responsible Investing ("RI") Statement

Introduction

The AGMC are responsible for reviewing and validating the Arcus Responsible Investing statement ("RI"), and associated policies. The Portfolio Managers are then responsible for ensuring that views developed on RI and Environmental, Social and Governance ("ESG") are discussed collegially amongst the Investment Team and implemented. Ben Williams acts as an ESG representative for the Investment Team and reports to the AGMC quarterly.

Responsible Investment

Arcus is a responsible investor, as opposed to an ethical investor and adopts a long-term view. Arcus has a strong research team which seeks value opportunities. This may mean that Arcus invests in oil and gas companies, for example, if as a result of their analysis the Investment Team believed that these companies would for example provide risk-adjusted returns for the Funds / may be considering diversifying into cleaner forms of energy etc.

The United Nations' Principles for Responsible Investment ("UNPRI") is an investor initiative in partnership with the United Nations Environment Programme ("UNEP") Finance Initiative and the UN Global Compact. Arcus Investment Limited is a signatory of UNPRI, and Arcus adopts the UNPRI definition of Responsible Investment. Responsible investment is an approach to investing that aims to incorporate sustainability factors into investment decisions, to better manage risk and generate sustainable, long-term returns. For more details about the UNPRI please visit: www.unpri.org/.

Investment Approach

Arcus incorporates ESG matters in its investment approach, ongoing monitoring and engagement with investee companies. We consider good corporate governance to be key to the overall quality of a company.

Ben Williams (ESG representative for the Investment Team) is responsible for ensuring the day-to-day implementation of the ESG process. For detail regarding integration of sustainability risks in the investment process and ongoing monitoring please refer to the ESG Policy in Section 2.

EU Sustainable Finance Disclosure Regulation ("SFDR")

None of the Arcus Funds have sustainable investment as their objective and do not promote environmental or social characteristics. However, Arcus has integrated sustainability risks into the investment decision-making process. The Arcus Funds' investments may be subject to sustainability risks. Sustainability risks are ESG events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the relevant Funds' investments. Arcus' integration of sustainability risks in the investment decision-making process and results of the assessment of the likely impacts of sustainability risks on the returns of the Funds is reflected in its ESG Policy in Section 2.

Proxy Voting

Where Arcus has a responsibility for voting proxies, Arcus will take measures reasonably designed to ensure that they are voted in the best interest of its clients, which generally means voting with a view to enhancing the value of client securities. In general, Arcus would normally expect to vote alongside management. However, on occasion, we may decide to vote against management on certain issues if we believe it is in the best interests of our Fund investors to do so. Please refer to the Proxy Voting Policy in Section 3 for further detail.

2 Environmental, Social and Governance ("ESG") Investment Policy

Arcus believes that embedding high standards of corporate responsibility (socially and environmentally) can be commercially advantageous if leveraged correctly. From an investment perspective, environmental and social factors can have a bearing on key business fundamentals ranging from resource availability and commodity costs, to asset values and consumer appeal.

Wherever these factors potentially shape cashflow, corporate balance sheets, or cost of capital, they are relevant to prospects for investment return. ESG considerations therefore provide a useful adjunct to the risk management framework – highlighting material risks and opportunities that might otherwise be missed or under-priced. By integrating ESG factors into the investment decision-making process, and refining that integration continuously over time, Arcus stands to improve not only risk management functions, but also the ability to identify underpriced securities or arbitrage opportunities which yield long term value for investors and competitive risk-adjusted returns. Our status as UNPRI signatories, reflects our underlying commitment to comprehensive, accurate and ethical integration of ESG factors into our investment decision process. We believe that the ability of the Investment Team to deliver the best possible risk-adjusted returns for the Funds we manage is, linked to their ability to assess foreseeable risks and advantages, including those which can be identified through a sustainability lens.

Note: no single factor, ESG related or other, will be the sole determining factor (nor are they weighted) when deciding whether to proceed with an investment.

Arcus also aims to seek appropriate disclosure on ESG matters from the companies in which we invest and has made our service providers (e.g. consultants, brokers, and research firms) aware that we have signed up to UNPRI and have asked them where possible to integrate sustainability factors into their evolving research and analysis. However, we note that not making ESG disclosures would not be a sole determining factor for Arcus to divest or cease using a service provider but that it would be taken into consideration when determining any action to be taken.

While we encourage ESG disclosures from all investee companies, the absence or deficiency of ESG disclosures would not constitute a sole determining factor for divestment or for Arcus to cease using a service provider. However the absence or deficiency of ESG disclosures would be taken into consideration by Arcus when determining any action to be taken.

The Investment Team perform bottom-up research of all companies which it considers for investment, holds, and divests in the Fund portfolios. Superior knowledge of our investments is the basis of excess returns. A typical holding period for a position in an Arcus managed portfolio would be around 2 years. As such, longer term strategic factors, including sustainability factors are relevant to our investment decision making approach.

2.1 Integration of sustainability risk in the investment process: Arcus Japan Fund ("AJF")

Arcus has developed an ESG framework that uses ESG data from Refinitiv (who provide the pricing feed used by the Arcus Fund Accountants) together with an Investment Team risk assessment of each company in which AJF invests to produce an internal rating. This internal rating is taken into consideration together with other factors when the Portfolio Manager(s) decides to add a stock / change the weight. AJF is then subject to ongoing monitoring to review the score for each company and the profile for AJF. The Portfolio Manager will take this into consideration as part of the investment decision making process.

Further details of these components of Arcus' ESG framework are provided below:

a) **ESG data and ESG Combined Score from Refinitiv**
Refinitiv provide an "ESG Combined Score" for each portfolio company based on the average of the portfolio company's ESG scores which are rated from "A" to "D" (as outlined below) by overlaying the average ESG score with ESG controversies to provide a comprehensive evaluation of the company's sustainability impact and conduct. During the year, if a scandal occurs, the company involved is penalised and their overall ESG Combined Score and grading will be negatively impacted.

Any company that has a Refinitiv Combined Score of "D" or below will be investigated and referred to Ben Williams for an assessment with a recommendation regarding an adjustment to the weighting.

i. Company ESG score
E: Environmental Score - Resource use, emissions, innovation
S: Social Score - Workforce, human rights, community, product responsibility
G: Governance Score - Management, shareholders and Corporate Social Responsibility ("CSR")

strategy

ii. The ESG Combined Score grading from "A" to "D"

"A" score indicates excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly.

"B" score indicates good relative ESG performance and above average degree of transparency in reporting material ESG data publicly.

"C" score indicates satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly.

"D" score indicates poor relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly.

b) Investment Team Risk Assessment

The Investment Team will then undertake a separate assessment of the portfolio company based on their own research and analysis. This assessment focuses more on the risk associated with perception in the market, which can influence investor appetite and valuations. Examples of factors that may come to light during the Investment Team process of in-depth analysis might include (but are not limited to):

- Changing societal expectations.
- Brand and reputational issues (e.g. bad health and safety record for manufacturers, respect for employment rights, modern slavery)
- Product evolution (e.g. Electric car development)
- Governance and gender diversity (e.g. diversity on fund boards and executive remuneration)
- Adherence to regulation (e.g. laws on environmental pollution, governance codes)
- Sustainability of raw material sourcing (e.g. recycling)
- Cost impact (e.g. production wastage reductions, environmental improvements, carbon pricing)
- Fines (e.g. poor records on air and water pollution, control of hazardous waste, deforestation)

The analyst would then give the company a score from 1 (low risk) to 3 (high risk).
The higher risk names would be subject to greater scrutiny as regards how the company can either mitigate or improve their risk profile. To be clear, a company with a higher risk score can be a good investment if firstly, valuations are attractive, i.e., the risk is already embedded in the price and secondly, the company can show they are undertaking measures to reduce such risks.

c) Total Score

The Refinitiv Combined Score and the internal score determined by the Investment Team risk assessment will then be combined so that each company will receive a score from A1 to D3 (the letter representing the Refinitiv Combined Score and the number representing the internal score from the Investment Team)(the "Total Score").The Total Score is re-run quarterly and along with opportunities and risks is discussed on an ad hoc basis amongst the Investment Team.

The Portfolio Manager(s) use this information, alongside other investment criteria, when considering whether to invest / divest from a company.

Note: new stocks in the portfolio receive their initial scoring after they have been admitted to the portfolio.

2.2 Integration of sustainability risk in the Investment Process: The Arcus Zensen Fund, Arcus Genseki Fund and Arcus Japan Value Fund

We recognise that comprehensive ESG disclosures among medium and smaller Japanese companies are not widely available. Given these limitations, the framework and scoring outlined above are currently limited to the Arcus Japan Fund (i.e. larger cap strategies managed by Arcus).

Therefore, although the Investment Team consider sustainability risks as part of their investment management process for the Arcus Zensen Fund, Arcus Genseki Fund and Arcus Japan Value Fund, they will not be required to formally document their Investment Team risk assessment for every stock due to the shortage of reliable data and the time it would take to source it independently. As a result, on a quarterly basis Arcus performs a less in-depth version of the procedures outlined in Section 2.1 as outlined below.

a) ESG score from Refinitiv

For the Arcus Zensen Fund, Arcus Genseki Fund and Arcus Japan Value Fund, we will review the Refinitiv Combined Score on a quarterly basis. Any company with a score of "D" or below in the case of longs will be investigated and referred to Ben Williams for an independent assessment with a recommendation regarding an adjustment to the weighting.

b) Investment Team Risk Assessment

For the companies with a "D" rating positions, Ben Williams will coordinate an Investment Team risk assessment in order to produce a Total Score (from "D1" to "D3") following the procedure outlined in Section 2.1 b above. The Portfolio Manager will then use this information, alongside other investment criteria, when considering whether to invest / divest from a company.

Note: new stocks in the portfolio receive their initial scoring after they have been admitted to the portfolio.

2.3 Ongoing monitoring of the Portfolios

On a quarterly basis, Ben Williams will review the Total Scores and report to the AGMC on sustainability risks for each Fund and provide an ESG overview including a breakdown of company scoring in relation to the total AUM of each Fund. The AGMC will review and discuss the profile and may make stock specific enquiries, as appropriate.

2.4 Sectoral Policies

In addition to the above scoring Arcus has adopted certain sectorial policies as follows:

<u>In relation to All Arcus Funds:</u>

- <u>Exclusion Lists:</u> Arcus recognises that other entities operating within the same space also produce in depth research on stocks within the same universe. Arcus actively monitors publicly available exclusion lists from other fund managers and stocks identified on these lists, that are in the Arcus investible universe, would be referred to Ben Williams for discussion.

- <u>Controversial Weapons:</u> Arcus has implemented an exclusion list for companies involved in anti-personnel landmines and cluster bombs.

    - <u>Cluster Munitions: These weapons disperse multiple bomblets over a wide area, leading to significant civilian casualties. They are banned by the Convention on Cluster Munitions.</u>
    - <u>Land Mines: Land mines, banned by the Ottawa Treaty, are problematic due to their longevity even after a conflict has ended, leading to civilian casualties.</u>

- <u>Other:</u> Companies may also be excluded from investment if Arcus believe that there is an unacceptable risk that they may contribute to or be responsible for any serious violations of basic ethical norms. Examples may include but are not limited to violations of human rights, violations of basic labour rights and serious corruption.

<u>Impact of sustainability risk on the returns of the Arcus Funds</u>

- The Investment Manager considers that the sustainability risks that the Fund may be subject to are likely to have an immaterial impact on the value of the Fund's investments in the medium to long term as the portfolio is sufficiently diversified (both by sector and by number of investments) that any negative impact on the value of one investment would not be expected to have a significant overall impact on the returns of the Fund.

<u>Company engagement and active ownership</u>

- We do not consider ourselves as primarily activist investors and in the absence of specific problems our position has often been supportive of management at the companies we invest in. We tend to invest in companies that we think are following a sensible path, and in our experience that under normal circumstances, management are better informed than investors on the details of company strategy and their competitive environment, so we do not generally seek to offer advice in this area. If we did not agree with the strategy or philosophy of a company's management, we are less likely to invest in that company.

- Monitoring of investee companies typically includes direct dialogue with management and if / when we feel it appropriate, we may seek to express our opinion on relevant matters such as sustainability factors in our direct meetings with companies.

For further detail please refer to our Proxy Voting Policy and Stewardship Code Disclosure in this pack.

3 Arcus Proxy Voting Policy

Introduction

Arcus has adopted the following policies and procedures for proxy voting. In so far as it is practical Arcus will use best efforts to vote ensuring that it votes client securities in the best interests of its clients. Arcus will vote Japanese Equities via Broadridge / Proxyedge.

Voting Process

- Each Custodian sends a daily encrypted file to Broadridge / Proxyedge.
- The team at Arcus South East Asia Sdn Bhd ("ASEA") are notified of forthcoming votes on the positions held in the Fund and vote via Broadridge / Proxyedge.
- Broadridge / Proxyedge transmits the vote to the local custodian - HSBC Japan.
- HSBC Japan submits the vote to the issuer / investee company.

In the case of the Arcus Zensen Fund, the Prime Broker is currently unable to send a daily encrypted file to Broadridge / Proxyedge which includes only the Funds segregated positions. Arcus has instead implemented a manual procedure to monitor upcoming meetings for voteable items and requests that these are voted on by the Prime Broker on behalf of the fund.

Attendance at meetings

It should be noted that only the beneficial owner of shares held in a Japan Security Depository Centre Inc. ("JASDEC") a/c can attend Japanese meetings and vote. Though only the registered shareholder is given legal recognition, beneficial owners can work with the registered shareholder (typically, the sub custodian bank) to request permission to attend from the company. Though beneficial owners are not legally recognized in Japan, Japan's Corporate Governance Code[1] encourages companies to give adequate consideration to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders. Beneficial owners can request from sub custodians confirmation regarding meeting attend/observer procedures, as these procedures may vary by company. The completed voting card is submitted at the entrance to the meeting place, so voting in advance electronically and voting via meeting attendance are essentially the same.

The Investment Team work with the appropriate parties to attend meetings and vote / speak as and when it is appropriate and in the interest of Arcus' clients.

General Voting Principles

Where Arcus has a responsibility for voting proxies, Arcus will take measures reasonably designed to ensure that they are voted in the best interest of its clients, which generally means voting with a view to enhancing the value of client securities. In general, Arcus would normally expect to vote alongside management. However, on occasion, we may decide to vote against management on certain issues if we believe it is in the best interests of our fund investors to do so. For example:

- Arcus is willing to vote against boards who ignore investor efforts to engage on critical issues such as capital efficiency and ESG.
- In the absence of evidence to the contrary, Arcus will give considerable weight to management recommendations, except in the case of issues directly affecting the interests of management itself, such as management compensation; proposals which are likely to have a significant economic impact on the relevant company and its security holders will be subject to greater scrutiny;
- Arcus favours having strong independent directors and supports the delegation of key functions (such as compensation, audit and nominating committees) to independent directors; Arcus will in general oppose classification of directors;
- Proposals for re-capitalisations, mergers, corporate restructuring and anti-takeover measures will be under scrutiny to ascertain possible benefits and disadvantages to security-holders. Management recommendations with respect to such transactions will be reviewed in the light of possible management self-interest;
- Proposals regarding stock-option plans and other compensation issues will be carefully scrutinized. As Arcus believes in long term capital appreciation, Arcus will take into account the relevant company's positioning for achievement of long-term goals as well as shorter-term performance;

[1] https://www.jpx.co.jp/english/news/1020/b5b4pj0000046kxj-att/b5b4pj0000046l0c.pdf

Arcus may refrain from voting in the following circumstances:

- Arcus believes that the matters to be voted on have no significant effect on clients' interests or if there is a pending sell order for the security.
- The costs of voting would be unreasonable.
- Arcus is of the view that the proxy statement has not provided sufficient information to justify a vote in favour.

The above principles are general guidelines only and not exhaustive; they cannot cover all potential voting issues. Arcus may also make reference to third party research materials and reports on specific voting issues in order to vote in the best interests of clients.

Conflicts of interests

Under certain circumstances, the voting may present an actual or potential conflict of interests between Arcus as an investment manager and its clients, such as below:

- Business relationships, where Arcus has a substantial business relationship with a company and failure to vote in favour of management could harm Arcus's relationship with that company;
- Personal relationships, where Arcus has a personal relationship with corporate directors or candidates for directorship; or
- Family relationships, where Arcus may have personal or business relationships relating to a company (e.g. a spouse or relative who serves as a director of a publicly traded company).

For any voting proposals where Arcus determines that it has a material conflict of interest, Arcus will take steps designed to ensure that a decision to vote is based on the clients' best interest and is not the product of the conflict, in which, Arcus may:

- refer the proposals to the clients and obtain instructions from the clients on how to vote the proxies relating to those proposals;
- determine how it proposes to vote the proposals on which it has a conflict, disclose the conflict to the clients and seek their consents before exercising a proxy; or
- take such other action, such as consulting an independent third party such as external legal counsel, as Arcus reasonably deems appropriate.

Record Keeping and Reporting

All records will be sent to ASEA, where they will be maintained as follows:

- Copies of these proxy voting policies and procedures and any amendments to them;
- Proxy statements received regarding client securities;
- Records of how proxies were voted;
- Written client request for Arcus's proxy voting records and copies of Arcus written responses to such requests;
- Documents created by Arcus that were material to its decisions on how to vote proxies or that memorialized the bases for its decisions; and
- Documentation relating to the identification and resolution of conflicts of interests, if any.

ASEA reports periodically on ASEA's stewardship and voting activities to the governing bodies of the Funds.

4 UK Stewardship Code Disclosure Statement

Under the Financial Conduct Authority's ("FCA") Conduct of Business Rules 2.2A.5, Arcus Investment Limited ("AIL") is required to make a public disclosure on its website in relation to the nature of its commitment to the Financial Reporting Council's ("FRC") Stewardship Code. The UK Stewardship Code 2020 consists of 12 Principles for asset managers and asset owners, and six Principles for service providers.

Arcus supports the objectives of the Code and seeks to apply the UK Stewardship principles to its business, taking into account local law and practice, including the emergence of a Stewardship Code in other jurisdictions in which Arcus invests e.g. Japan. However, the firm does not formally commit to the Code because of the exclusive focus of its business on Japan.

The 2020 Code Principles:

1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Arcus has a fiduciary duty to act in the best interests of our clients. Part of this responsibility involves ensuring that assets under our stewardship are managed in a way that creates long-term value for clients and their beneficiaries. Arcus' investment process has due regard for environmental, social and corporate governance considerations, however no single factor, ESG related or other, will be the sole determining factor (nor are they weighted) when deciding whether to proceed with an investment..

2. Signatories' governance, resources and incentives support stewardship.

All Arcus employees are required to conduct their duties in a responsible manner and in accordance with Arcus policies and procedures. Arcus applies the requirements of the AIFM Remuneration Code (SYSC 19B) to all staff.

3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Arcus maintains a conflicts of interest policy which specifies Arcus' approach to managing potential conflicts of interest AIL may be exposed to. It helps all employees of Arcus to maintain high ethical standards in their conduct both personally and professionally. In addition, Arcus maintains a conflicts register, which is subject to management review on an ongoing basis. Should a conflict arise the directors together with the AGMC would take appropriate steps to ensure fair treatment and disclose such conflict.

4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

The investment process incorporates macro-economic and market analysis alongside detailed bottom-up research. The macro analysis should help to identify market-wide and systemic risks.

Regarding company related risks Arcus has a detailed Information Security Policy to minimise any threat to information security, including cyber-attacks.

5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Arcus has a duty to act in the best long-term interests of its investors and to follow the investment process as outlined in the prospectus and offering memorandum of the funds it manages. Arcus reviews its compliance manual and policies annually (or in the event of a material change) and updates them as appropriate. Appropriate risk management policies and procedures have been implemented and compliance monitoring is undertaken on a risk-based approach.

6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Arcus keeps detailed records of interactions with investee companies. These records include stewardship and voting activities. The Compliance monitors to ensure detailed records are kept in line with policy and regulation. ASEA reports periodically on ASEA's stewardship and voting activities to the governing bodies of the Funds.

Arcus intends to review its stewardship and voting activities annually, as suggested by the UK Stewardship Code. Given the size of Arcus, it does not currently seek independent external assurance with regards to stewardship activities. For further information regarding the UK Stewardship Code, please contact Arcus via email info@arcusinvest.com

7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Arcus has a duty to act in the best long-term interests of its investors and to follow the investment process as outlined in the prospectus and offering memorandum of the Funds it manages. However, the investment process goes beyond financial statement analysis, it includes, but is not limited to, the dialogue with senior management of the investee companies, review of public disclosure and direct communication to investee board. The Investment Team also conducts detailed research into each of their potential investee companies. Arcus believes that well-managed companies will create long term shareholder value, and this aligns with Arcus' investment philosophy of long-term and "bottom-up" in scope and is therefore consistent with best practice in corporate governance at investee companies.

Arcus has due regard for environmental, social and corporate governance considerations, but these factors are not incorporated in a systematic manner. Please refer to the Environment Social and Governance ("ESG") policy in Section 2 of this pack.

8. Signatories monitor and hold to account managers and/or service providers.

Arcus undertakes initial and ongoing due diligence on its service providers; this may include onsite visits and walk-through tests which would be documented in file notes as appropriate. Arcus also regularly monitor and review research providers to ensure value for money.

9. Signatories engage with issuers to maintain or enhance the value of assets.

ASEA monitors all investments closely and recognises that monitoring investee companies is at the heart of the investment management philosophy and process. It is our experience that under normal circumstances management are better informed than investors on company strategy, so we do not generally seek to offer advice in this area. If Arcus did not agree with the strategy or philosophy of company management, we would be less likely to invest in that company. Having said that, once a position is established in a company, ongoing monitoring and analysis is conducted to ensure that Arcus original investment thesis hold true. The analysis included, but not limited to, financial models, valuation analysis and direct dialogue with management. Arcus keeps comprehensive records of ongoing interactions with investee companies.

Should the monitoring identify any issues or actions by the investee companies are not in the best interest of our clients, Arcus would engage with the company to ensure they understand the position of Arcus and seek resolution which may include divesting.

10. Signatories, where necessary, participate in collaborative engagement to influence issuers.

Public contests for control and investor revolts are extremely rare in Japan. However, in the event that Arcus is in a position to influence decision through collective action with other shareholders the decision will be made in light of the best long-term interests of our investors and in accordance with local law and regulation. Any such activities would be considered on a case-by-case basis.

Arcus never abdicates stewardship responsibilities to any other party in any collective action. It is not the policy of Arcus to allow others to convey our views.

11. Signatories, where necessary, escalate stewardship activities to influence issuers.

Arcus always seeks to protect and enhance shareholder value by the most appropriate means available. The unique social and investment culture of Japan means that this will almost always involve private discussion with management rather than public confrontation. Arcus will escalate issues should it believe an investee company is being unresponsive to matters which it raised in previous discussions. It would consider issuing a formal letter to the Board passed through the Company Secretary to ensure specific concerns has been presented to the entire board of directors including non-executive and independent directors.

12. Signatories actively exercise their rights and responsibilities.

Arcus has adopted formal policies and procedures for proxy voting that can be found in the Arcus Group Compliance Manual. In so far as it is practical ASEA will make best efforts to vote ensuring that it votes client securities in the best interests of its clients and that proxy voting activities adhere to the requirements of all applicable rules and generally fiduciary principles.

5 Japan Stewardship Code

The original Japan Stewardship Code was published in February 2014 and revised in 2017 and 2020. It contains eight principles, seven of which are comparable to the UK stewardship code:

1. Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.
2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.
3. Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.
4. Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.
5. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.
6. Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.
7. To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities, based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.
8. Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

With respect to Japan Code Principle 7, it adds an extra layer of depth to the UK code by encouraging investors to contribute positively to investee companies' sustainable growth, based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

Arcus has a long track record of investing in the Japanese market on behalf of our clients, and our fund manager(s) and analysts have a wealth of experience in engaging with Japanese companies. As a Japan specialist, knowledge, skills and resources are central to our investment process. Our experienced team have built up a deep knowledge and understanding of the companies in the Japanese market.

6 Shareholder Rights Directive II ("SRD II") Statement of Engagement

This statement (the "Engagement Policy") sets out AIL's approach in meeting the requirements set out in SRD II (Directive (EU) 2017/828) and summarized in the FCA Handbook under COBS 2.2B.6 in relation to investments in shares traded on a regulated market (a term which extends to non-EU markets which are comparable to EU regulated markets and where the financial instruments dealt in are of a quality comparable to those in a UK regulated market).

Arcus produce superior returns through disciplined and active investment in undervalued equities by offering a range of long only and long-short strategies whose investment focus is either Japan or Asia including Japan[2].

Integration of shareholder engagement in investment strategy

The Investment Team conduct a rigorous analysis of the companies in the investment universe and put them forward for consideration by the Portfolio Manager. Analysis may entail the need to directly engage with senior management of that company to discuss finances, future prospects, etc.

Monitoring and Dialogue with Investee Companies (Strategy, Financial and Non-Financial Performance Risk, Capital Structure and ESG)

Over the course of a year, the Investment Team conducts a number of meetings with the portfolio companies both in person and conference calls. During these meetings they discuss a broad range of issues including but not limited to strategies for long term growth, capital allocation, financing plans and corporate governance best practices. They also address social and environmental issues, focusing on areas where they believe the greatest areas of concern are. The Investment Team engage with the portfolio companies on sustainability factors as detailed in the ESG policy in Section 2 of this pack.

The Investment Team focus is on long term measures and to encourage companies to focus on creating the most amount of value for all stakeholders as opposed to short term profit maximization that endangers the long-term health of the business.

There may instances when we are of the view that the portfolio companies have room for improvement. In such cases, we would initially discuss our concerns directly with management. If management do not provide a satisfactory response or fail to respond to our concerns, we will then assess whether the issue is significant enough to change the investment case. If the issue is deemed significant enough to change the investment case, we would then make a decision whether to continue to hold the company and vote against the measure or to sell our shares in the company entirely.

Exercise of Voting Rights

Any resolution proposed by a portfolio company which is subject to a shareholder's vote will be considered by ASEA, making use of input from relevant portfolio manager(s) and analyst(s). In arriving at a voting decision ASEA will arrive at one that it believes will be in the best interests of the portfolios ('Best interests rule' in COBS 2.1). The voting decision may well involve abstaining or voting against management if their actions and objectives do not match up with what ASEA believe to be in the best interests of shareholders. ASEA will provide to the governing bodies of the Funds and AIL a periodic disclosure which details ASEA voting behaviour.

Cooperation with Other Shareholders

Generally, Arcus does not adopt an activist approach with other shareholders, although Arcus remains open to doing so if this would be deemed to be in the best interests of shareholders.

Communication with Relevant Stakeholders of Investee Companies

We do not typically communicate directly with staff - save for those instances identified above (see "Monitoring and Dialogue with Investee Companies") - customers or suppliers of any portfolio company directly.

Conflicts of Interests

Arcus maintains a Conflicts of Interest policy in the Arcus Group Compliance Manual Policy Pack ("AGCMPP") which is available to review upon request from Arcus.

[2] Past performance is not a reliable indicator of future results. Capital at risk.

Other

This Statement of Engagement will be reviewed, and updated as necessary, at least annually.

For any questions in respect of this Statement, email info@arcusinvest.com.