

langdon

EQUITY PARTNERS

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE POLICY

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1. INTRODUCTION

Langdon Equity Partners Ltd ('**Langdon**') recognizes its responsibilities to its clients, shareholders, and employees as well as to society and the environment. Langdon believes Environmental, Social and Governance ('**ESG**') factors are critical to long-term success in investing.

Our objective is to generate financial returns for our clients. As active and engaged owners of smaller companies it is our responsibility to steer our portfolio companies towards ESG principles. Langdon believes that by integrating ESG factors into our investment process, we can seek to influence investee companies to improve performance for the benefit of our investors.

2. OVERSIGHT

The Langdon Board is accountable for the oversight of policies to be applied to the operations of the business, including Langdon's ESG Policy. The ESG Policy is reviewed by the Board annually.

Langdon's Lead Investor & UDP are responsible for implementing Langdon's ESG Policy and for ensuring the ESG Policy is effectively communicated and known amongst employees. Further, Management is responsible for ensuring that our investment process reflects our ESG Policy and our commitments under the Principles for Responsible Investment ('PRI').

All investment team members are responsible for assessing ESG factors and identifying potential ESG risks to the long-term value of an investee company.

3. PRINCIPLES FOR RESPONSIBLE INVESTMENT

Langdon is proud to be a signatory to the United Nations supported Principles for Responsible Investment.

We acknowledge that ESG issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and through time. We recognize that applying these Principles may better align investors with broader objectives of society.

As institutional investors, we have a duty to act in the best long-term interests of our investors. Therefore, where consistent with our fiduciary responsibilities, we are committed to adopt the following:

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

4. ESG INTEGRATION

ESG analysis is a key component to our investment decision-making process. ESG factors are integrated into our due diligence research process, when monitoring investments and throughout investment stewardship.

All investee companies are evaluated against a set of ESG indicators to form assessments on the company's exposure to long-term ESG risks and potential opportunities. Findings from our internal ESG assessments are used as the basis for prioritization of engagements.

Langdon applies environmental, social (including labour standards) and ethical (incorporating corporate governance) considerations and their impact on all stakeholders when selecting, retaining, or realising the investments of the Fund in addition to other methods in assessing company value. Langdon also emphasizes in-person interaction with companies, as well as customers, suppliers, and competitors to identify exceptional organization and help in avoiding the poorly governed businesses and unethical cultures they can manifest.

4.1. Minimum Standards for Social Investment

Langdon applies negative screens for companies with more than 5% of direct gross revenues in industries we do not deem socially durable. Exceptions may include legacy activities of a company which are being de-emphasized, or a division that is receiving no fresh capital.

Tobacco Production

We do not invest in companies involved in tobacco production.

Pornography

We do not invest in companies that are involved in the production, distribution, or promotion of pornography or are otherwise associated with the sex industry.

Controversial Weapons

We do not invest in companies that are involved in the manufacturing of controversial weapons. These include weapons covered by the Convention on Cluster Munitions, The Ottawa Treaty, The Biological Weapons Convention, and The Chemical Weapons Convention.

4.2. ESG Risk Assessment and Investment Approach

Langdon completes an ESG risk framework with over 30 indicators for each investment opportunity to assess the level of ESG risk associated with a potential investment. Langdon does not apply a formulaic methodology or weightings for determining the level of ESG risk and each investment opportunity is assessed on a case-by-case basis based on the information gathered in the completion of the ESG risk framework.

In the case that the Langdon determines that a potential investment poses a high level of ESG risk, a binary ESG risk premium will be applied to the cost of capital while assessing company value. A penalty will be assigned to their cost of capital for the purposes of evaluating the risk reward compared to companies we rate more highly from an ESG standpoint. If a potential investment offers a suitable return after implementing the binary ESG risk premium to the cost of capital, and the ESG risks are deemed acceptable by the investment team, Langdon may still invest in the company. Langdon's ESG risk framework and penalty for high ESG risk do not vary by investment type.

Where there are outliers on any environmental, social, or governance indicators across Langdon's portfolios, Langdon will engage with a company to understand why they are an outlier and encourage change where appropriate. Where Langdon determines that an investment is no longer suitable due to ESG considerations, Langdon will engage with the company's management to attempt to mitigate the issues and ultimately may elect to divest such investment.

5. DIRECT ENGAGEMENT

As part of our commitment to the PRI we seek to be active and engaged owners.

Proactive dialogue with investee companies is fundamental to our ESG analysis. These dialogues allow Langdon to conduct an in-depth analysis of material ESG issues facing the company itself, its industry and geography. The more we know about how a company is run, the better equipped we are to assess ESG matters, which is why Langdon places such credence on traveling to the businesses we invest in, walking the factory floors, and attending in-person meetings with the management teams. These meetings are a useful way for us to avoid unscrupulous executives and the unethical cultures they can engender. We encourage the entities in which we invest, to align with principles of environmental and social responsibility and good governance.

Langdon will focus engagement on areas where risk management is considered insufficient and/or where engagement provides an opportunity to discuss ways to enhance current practices, with the ultimate objective of improving returns. We will escalate engagement when public disclosure does not provide enough evidence of adoption and implementation of baseline ESG considerations. In instances where we believe a company demonstrates wilful disregard for ESG principles, we may choose to avoid or divest.

Langdon conducts ongoing engagement with investee companies, at least annually, or when material ESG concerns have been identified.

6. VOTING

Langdon intends to fully exercise its responsibility as an investor and systematically vote at the general meetings of all portfolio companies. We recognize that environmental and social issues are a source of potential risk, and responsible practices are a source of potential return for shareholders. While we take advice from governance consultants, Langdon forms our own assessments which ultimately dictate how we vote. All voting action is recorded and will be made available to clients.

We are committed to improving transparency on our engagement activity and seek to track and report on our engagement activity.

7. COLLABORATION

Langdon seeks to participate in collaborative engagement initiatives to support and enhance implementation of ESG principles and collectively address relevant emerging issues. Langdon is a PRI signatory, which encourages collective action on sustainability issues. Langdon is also a CDP Capital Markets signatory, supporting their work of promoting extensive environmental disclosure and engagement.

8. DISCLOSURES AND REPORTING

Langdon communicates our ESG policy to all employees, investors, and other stakeholders, as well as disclosing the Policy publicly on our website.

As PRI Signatories, we will report publicly on responsible investment activities each year and publicly disclose our RI Transparency Report.

Given the rapidly changing ESG landscape, this Policy will be reviewed at least annually to evolve with relevant industry body research and incorporate developments in our own existing approach.