ESG Policy

Peregrine Capital™

INTRODUCTION

At Peregrine Capital, we have consistently been aware of the impact that ESG factors can have on our investments in our portfolios. We have developed our ESG policy to integrate fully with our investment process, which at its core is a fundamental, bottom up and valuation focused philosophy. We believe the value of an asset today is the present value of expected future cash flows, which are inherently affected by environmental, social and governance factors.

QUANTIFYING ESG RISK FACTORS

It is important to note, that as a fundamental long-term investor in businesses that operate in the real world, we consistently monitor and consider every aspect that affects business value and sustainability over the long term. In general, ESG factors impact among others, the implicit discount rate that we use to assess business valuation as well as future cash flows of businesses that we invest in.
Broad discussion of our quantification for each ESG factor is laid out below:

- Governance, in our view, often has the biggest direct impact on the valuations of businesses that we own from an ESG perspective. We have always consciously invested alongside management teams where we believe sound integrity and governance is adhered to.
- From an environmental standpoint, we have limited exposure to companies that present environmental risks, such as mines and oil companies, given how difficult it is to value these businesses. The majority of investments we own have strong environmental rankings and strong carbon neutral policies. These environmental factors form part of our sustainability and longevity aspect of the valuation discussion for our investments. The sustainability of the businesses that we invest in is vital considering the often long-term investment horizon we have for certain holdings.
- In assessing social risk factors, we often ask questions about whether the businesses that we own have positive or negative impacts on society at large. Those companies that are perceived to have negative societal impacts typically attract regulatory attention and intervention. A regulatory focus around the globe has been on the rights of employees and consumer protection.

INCORPORATING ESG FACTORS INTO OUR INVESTMENT PROCESS

ESG fundamentally talks to the sustainability of the businesses that we own and the environments in which they operate. Assessing the durability of the income streams of the businesses that we own is a critical step in our investment process, given that we typically want to invest in companies that can sustainably grow their earnings for long periods of time. We place special emphasis on the governance side of the ESG equation given the important influence that management teams have in driving the strategic direction of the businesses that they operate. We have minimal exposure to companies that are heavy polluters of the world, such as miners, oil refineries and manufacturers. Most of the businesses we own are capital light businesses that generate high returns on capital. The portfolio managers are responsible for implementing of this ESG Policy in the investment process.

EVALUATION OF ESG UNDERLYING INVESTMENTS

Interactions with companies are generally focussed on the governance aspect of ESG. We spend a significant amount of time interacting with company management regarding any issues we may have with the company. We often find that companies with ethical and rational management teams are best placed to run their businesses in a manner that prioritizes the interests of all stakeholders, including their customers, regulators and society at large. Strong governance ensures that social and environmental factors receive the attention that is required. Below is a brief summary of how we would look to resolve specific governance concerns.
Levels of engagement with the company:

- Engagement with executive management during one-on-one meetings.
- Formal written communication with CEO and CFO if outcomes are not achieved.
- Written communication to the board of directors. Request for meetings with key board members.

From an Environmental and Social perspective, the investment team uses a number of third-party datasets, as well as analyses of the respective companies integrated report and financial statements on a regular basis. These activities include thorough analysis of social and environmental factors that affect the company. To the extent that there are concerns with any of these factors or the implementation of such, the same process will follow as outlined above for interaction with executive management.
Examples of several of our engagements are available on request

PROXY VOTING
Peregrine Capital is authorized to exercise voting rights in respect of investments in the funds. We are active investment managers and will participate in voting our shares where appropriate so as to ensure the management teams are acting in the best interest of the various stakeholders. We aim to provide a bi-annual report of our proxy voting activities and publish this on our website. See our **Proxy Voting Policies and procedures** document for further detail.

ENDORSEMENT OF CRISA PRINCIPLES

Peregrine Capital endorses the principles in the CRISA code, which are as follows:
Principle 1: An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.
Principle 2: An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities
Principle 3: Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors
Principle 4: An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur
Principle 5: Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments