

# **NS PARTNERS RESPONSIBLE INVESTMENT POLICY**



## INTRODUCTION

NS Partners has undertaken on a progressive endeavor to implement and strengthen its Environmental, Social, and Governance (ESG) strategy. As dedicated long-term investors, we recognize the need to adapt to shifts in the investment landscape and integrate ESG considerations into our decision-making processes. This policy has been jointly developed with input from the ESG team, the Board and the executive committee, including the Chief Investment Officer. It will be reviewed annually to ensure its relevance.

The integration of our fundamental active and bottom-up investment methodology with an ever-expanding inclusion of environmental, social, and governance (ESG) criteria is central to our approach. Over the past half-decade, we have relentlessly sought optimal ways to execute our strategy. While performance remains a pivotal yardstick, we have chosen to adopt an approach that is straightforward and transparent.

## DEFINITION

Our definition of responsible investment adheres to Mercer's definition as proposed by the Principles for Responsible Investment (PRI): "The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance."

## RESPONSIBLE INVESTMENT GUIDELINES

Ns Partners employs diverse responsible investment approaches.

### Externally managed investments

We have undertaken a comprehensive review of our selection process for external investments. This effort has resulted in the creation of a well-defined list of external funds that demonstrate excellence in responsible investment. This list is made available to our wealth managers and to their clients. Our investment strategies encompass a fusion of ESG integration and Themed investing, with a specific focus on acquiring impactful investments. Notably, our recent emphasis has been directed towards enhancing the environmental dimension.

### Internally managed investments

Within our allocation funds, we have utilized this curated list to gradually increase our exposure to ESG strategies through a combination of ESG integration and Themed investing. Building on this trajectory, we have introduced an Actively Managed Certificate tailored for energy transition investments.

### Internally managed investments - tailored guidelines for equity funds

Specifically, for those equity funds that promote environmental and social characteristics (Article 8 of SFDR), we employ a combination of exclusion (negative



screening) and positive screening criteria (best-in-class), while also considering the principal adverse impacts on sustainability factors (Article 7.1(a) SFDR). These funds exclude investments in tobacco producers, gambling companies, and controversial weapons producers. Additionally, we avoid companies with an MSCI ESG rating score of "CCC," companies that significantly breach the UN Global Compact Code, and those entangled in serious controversies identified through the MSCI ESG Controversy assessment, specifically related to negative environmental impacts. While we choose to limit investments rather than exclude them entirely, we actively seek out companies that are driving the energy transition.

Within these funds, we incorporate a range of sustainability indicators during the investment selection process. These indicators serve the purpose of refining the investment universe and evaluating the suitability of investments based on their alignment with the promoted environmental and social characteristics. Sustainability indicators play a guiding role in investment selection, leveraging insights from fundamental, valuation, and ESG analyses. Our proprietary "NScore" is employed internally to assess ESG situations and negative impacts, with a preference for companies situated in higher Governance quartiles. We have established limits for investments with MSCI ESG ratings of "B" and "BB". Notably, investment decisions are also influenced by carbon emission scores.

MSCI ESG Manager serves as our primary external data source, seamlessly integrated into our internal model for investment analysis. The pressing nature of climate change stands as a pivotal concern that occupies our contemplations. In the context of our long-only equity funds, categorized under Article 8 of the SFDR (Sustainable Finance Disclosure Regulation), we are actively factoring these risks into our assessments through a range of strategies. We are also contemplating extending these considerations to our clients' investments. Addressing social issues, we are confronted with limited available data. Consequently, we have opted to concentrate our efforts on the UN Global Compact for the time being.

We are extending our responsible investment approach to encompass all of our internally managed equity funds as well as fixed income funds. Additionally, we are ensuring that our clients will have access to products that are aligned with their and our strategic focus.

## **STEWARDSHIP**

The executive committee has established a minimum percentage holding below which it deems it cost-efficient and in the best interest of shareholders not to exercise voting rights. This threshold is periodically reviewed. We are currently in the process of implementing new solutions to ensure our internal capacity to assess the majority of general meetings. Looking ahead, our objective is to cast votes on the vast majority of companies held by our largest internally managed fund, aligning with our comprehensive understanding of the invested companies. Once finalized, the voting policy will be communicated to investors. Currently, corporate actions are managed and executed by the Investment Manager.

## **REPORTING**

We are committed to transparency in our investment practices. By the end of the year, we pledge to provide public reporting for our equity funds categorized under



Article 8 of SFDR. Clients will have access to quarterly reports and factsheets that offer a comprehensive overview of aggregated ESG information tailored for our funds.

NS Partners is resolute in integrating ESG considerations into our investment approach, guided by our unwavering commitment to sustainable growth and societal progress. Our policy serves as a roadmap to harmonize our investments with our values, all while aiming to generate value for both our clients and the world at large. We recognize that responsible investment is an evolving field.