

# Investing in the Next Generation of Emerging Markets

## **VERGENT ASSET MANAGEMENT LLP** **RESPONSIBLE INVESTMENT POLICY**

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Vergent Asset Management LLP is authorized and regulated by the  
UK Financial Conduct Authority. FRN: 791909.  
Registered in England and Wales Number OC418829

**VERGENT**

RESPONSIBLE INVESTMENT POLICY

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## RESPONSIBLE INVESTMENT POLICY

### A. ESG APPROACH

This policy outlines the key principles and processes that underline Vergent Asset Management's (Vergent) commitment to incorporating Environment, Social and Governance (ESG) considerations into our investment process.

We believe that ESG factors often play a material role in determining the risk and return of securities.

### B. GOVERNANCE

Vergent's Management Committee provides oversight and accountability for the implementation of the firm's responsible investment practices. The investment team and the Portfolio Manager have internal oversight of ESG factors and their consideration in the investment process and are collectively responsible for overseeing the ESG research process.

### C. ESG INTEGRATION

At Vergent, we utilize a proprietary fundamental research framework that incorporates ESG topics into the discussion of traditional company performance during pre-investment and ongoing equity research. We therefore implement a process to identify and consider all relevant ESG issues before initiating a new investment.

First, initial screens are applied to exclude the following sectors and business models: tobacco, gaming, adult entertainment, aerospace and defense, and metals and mining. Next, a materiality assessment is conducted to identify the most material ESG issues for a specific company. Materiality is assessed in reference to an internal materiality matrix. Taking into consideration the most material ESG issues the team will then establish a list of questions for management to assist in the team's assessment of the company in question.

If an investment is made, the team will identify material areas to monitor (e.g., progress on improving energy efficiency, senior management diversity, board independence). Should the company not make material progress in those areas over time, the team escalates the matter during the ongoing research m, which can lead to the following possible escalation methods: Collaborative engagement to speak with a more powerful, unified voice.

- 1) Voting Against management.
- 2) Public Engagement via an open letter.
- 3) Filing a shareholder proposal.
- 4) A partial or full divestment.

### **D. CLIMATE CHANGE**

At Vergent, we recognize that considering the risks and opportunities associated with climate change in our investment process will likely lead to a better understanding of the risk and return profile of companies. Our approach to climate change is based on a process to identify and consider publicly available data that could help our team assess relevant climate-related risks that may have an impact on our investments and long-term shareholder value. This process includes the use of an exclusion filter across most sectors that present the highest level of climate risk.

### **E. ENGAGEMENT**

Vergent engages with companies both in the pre-investment and post-investment stages. As noted earlier, when assessing the materiality of various ESG issues on a proposed investment, the analyst and/or portfolio manager will contact the company under consideration with questions on ESG factors we deem to be material to the investment case. The analyst will then assess the company's ESG strategy and any potential material risks. Post-investment, Vergent regularly engages with investee companies and provides recommendations on areas that require improvement.

In addition to direct engagements with investee companies, and where necessary, we seek to participate in collaborative engagements and initiatives that allow us to amplify our voice, promote responsible investing practices in the industry and protect the interests of shareholders. Additionally, we believe that we have both an opportunity and duty to advocate for the sustainability and integrity of capital markets. As such, Vergent may participate in engagement with policy makers and regulators on issues related to ESG and responsible investing. Any decisions regarding participation in collaborative initiatives are made by the management committee.

### **F. PROXY VOTING**

Vergent utilizes the research and voting services of Institutional Shareholder Services (ISS) to help assess and vote proxies. The Stewardship and Engagement Team assists the investment team with the execution and tracking of proxies voted. ISS prepares recommendations for all proposals on which we are entitled to vote. The investment team review these recommendations prior to voting to determine whether the recommendations accurately represent our views, and may vote contrary to the ISS recommendations should the situation warrant it.

### **G. REPORTING AND DISCLOSURE**

Vergent provides reports of our proxy voting record to clients on a quarterly basis. Additional information on our integration and engagement is reported to clients on an ad hoc basis. As a signatory to the UN-backed PRI, we are required to report annually on our ESG related activities in accordance with the PRI reporting framework. Our PRI Transparency Reports are available on request.

### **H. CONFLICT OF INTEREST**

We have a firm-wide policy that sets out how we will deal with actual or potential conflicts of interest. Our approach is always to act within our fiduciary duty, that is in the best interest of our clients.