

RESPONSIBLE INVESTMENT POLICY

August 2022

INTRODUCTION

Established in 1991, Van Berkom and Associates (“VBA”) is an investment management firm specializing in small-capitalization equities. Our aim is to safeguard and sustainably grow our clients’ assets through selecting undervalued, high quality, and well managed companies that will prosper over the long-term.

This philosophy leads us to focus inherently on the fundamental long-term prospect of our investments. In our view, material environmental, social and governance (“ESG”) considerations are business issues that can impact all companies and their capacity to deliver long-term performance. Therefore, a thorough analysis of the company’s governance practices and principles has always been an integral part of our research process, while company’s environmental and social policy and behaviors are growing and gaining in importance in our view as well as in our investment process.

We believe that the inclusion of material ESG considerations into our investment process is part of our fiduciary duty and integral to mitigating financially material risks and identifying opportunities. In addition to carefully analysing financially material topics, we also regularly engage with companies to discuss their governance and ESG strategy and we strongly encourage companies to align their ESG processes and policies with market best practices as they grow over time.

SCOPE

VBA’s Responsible Investment (“RI”) Policy (the “Policy”) covers all of VBA’s investment strategies and provides a framework for our responsible investment approach and the integration of financially material ESG factors throughout the investment process and our

stewardship activities. Given our commitment to continuously evolve, we expect this policy to change over time and, therefore, it is subject to annual reviews.

RESPONSIBLE INVESTMENT GOVERNANCE AND OVERSIGHT

The governance and oversight of the implementation of VBA's RI strategy are embedded within the roles of various individuals and committees. Activities are monitored by the Executive Management Committee and the Board of Directors.

- **Board of Directors:** Responsible for the oversight of overall RI activities and approval of RI policies.
- **Executive Management Committee ("EMC"):** Responsible for providing strategic vision, leadership, direction, and guidance regarding the firm's RI guidelines. The EMC is also responsible for reviewing, endorsing, and approving ESG-related decisions and reporting on VBA's RI activities to the Board on an annual basis.
- **ESG Committee:** Responsible for formalizing and recommending RI processes to the EMC and providing framework, support and guidance on ESG integration to the investment team. It also oversees and monitors the progress of VBA's RI implementation strategy.
- **Independent Advisory Committee:** Responsible for providing ESG expertise, recommendations, feedback, and guidance and is comprised of three independent members who have RI expertise.
- **Investment team and portfolio managers:** Responsible for implementing VBA's RI strategy and guidelines described in the Policy throughout the investment process.



MATERIALITY DEFINITION

At VBA, our approach is pragmatic: We focus on identifying and mitigating ESG factors that could have a material financial impact on the performance of our investments. ESG risks or/and opportunities identified are assessed and imbedded within VBA's investment thesis and strategy.

SYSTEMIC SUSTAINABILITY RISKS

Systemic risks are referred to as risks that can potentially destabilize capital markets and lead to significant negative impacts on the financial system and the broader economy.¹ Similarly, at VBA, we take into consideration systemic sustainability issues, which we define as risks that could impact all companies regardless of the sectors they operate in.

¹[Guidance to Assess the Systemic Importance of Financial Institutions, Markets and Instruments: Initial Considerations](#), prepared by Monetary and Capital Markets Department, International Monetary Fund Monetary and Economics Department, Bank for International Settlements and the Secretariat of the Financial Stability Board, October 28, 2009.

The ESG Committee, with the support of the investment team, is tasked with identifying long-term risks, which will be taken in consideration in our assessment of individual portfolio companies as well as at a macroeconomic level. The ESG Committee meets annually to assess the main risks and reviews how they are integrated within investment considerations and portfolio construction. In addition, we systemically assess those risks and often engage with companies on those sustainability issues to understand how they may impact their business strategy and track its evolution. In particular, we consider the following sustainability issues: Climate change, diversity, equity and inclusions (DEI) and cybersecurity.

CLIMATE CHANGE

We acknowledge that climate change is a systemic risk that can have a material impact on all potential and current investments, and we are committed to assessing climate-related risks and opportunities in all investments. Climate-related risks include physical risks caused by climate change (i.e., floods and forest fires) and transition risks arising from changes in technologies and policies related to the transition to a lower-carbon economy. Where material, climate-related risks and opportunities are assessed by each member of the investment team throughout each step of the investment process.

DIVERSITY, EQUITY AND INCLUSION

At VBA, we are committed to promoting a diverse, inclusive, and equitable society where gender, race, ethnicity, national origin, age, sexual orientation or identity, education or disability, is valued and respected.

We recognize that inequities related to DEI is a systemic issue addressed and that can affect a company's performance. In fact, diversity of thoughts and background powers innovation, a creative environment, and a sense of belonging. It has been proven that a diverse workforce contributes to improving a firm's performance and we encourage all investee companies to adopt practices that promote DEI across their organization, and we assess these initiatives and their alignment with our beliefs.

CYBERSECURITY

Organizations all over the world are relying on the digitization of their information infrastructure and increasingly use mobile platforms. The number of cyber threats and attacks are growing globally, and the cost and magnitude of these incidents are increasing at a fast pace. Organizations are not immune to these risks, can not easily diversify from and must continuously invest to improve their cybersecurity and data privacy. In this fast-paced environment, we believe all organizations should pay close attention to cybersecurity to ensure the resilience of their systems and we are committed to consider how investee companies meet cybersecurity and data privacy requirements.

ESG INTEGRATION IN THE INVESTMENT PROCESS

At VBA, analysts and portfolio managers take material ESG factors into consideration at every stage of our investment process. We look for companies that are best-in-class in all aspects of their operations, including the management of their material ESG factors.

IDEA GENERATION

As we source investment ideas in the pre-investment phase, we use screenings by third-party service providers, attend conferences, and meet management teams. During this step, our investment team identifies material ESG topics in its initial assessment of potential investments that could represent risks or opportunities.

Given VBA's investment philosophy and its long-term focus, it has always favored companies with management teams that have leading governance practices, strong governance structures, promote a good corporate culture and that have no history of conflicts with stakeholders. We believe that well-aligned management teams with interests of shareholders have a positive impact on how environmental and social factors are managed and ultimately, on the long-term value of companies we invest in and partner with over time. Thus, in the early stage of the investment process.

The Value Reporting Foundation's Sustainability Accounting Standards Board (SASB) Standards are leveraged by our investment team to identify relevant material ESG topics in any given industry. Since each company is different, every investment professional uses his/her knowledge of the company's operations and sector to complement his/her research by identifying additional financially material ESG risks.

RESEARCH AND ANALYSIS

Once we have identified that a company complies with VBA's initial criteria and could represent a viable investment opportunity, we conduct deeper analysis. This stage of the investment process includes our due diligence process which comprises of deep research to ensure that we understand how the company operates and the management teams' vision, which feeds in the development of our financial models. The research and analysis phase entails interviews and dialogues with management teams to understand the firm's competitive advantages, risks and opportunities, ESG strategy and macroeconomic landscape. We also undertake interviews with competitors, customers and suppliers, where relevant.

Based on the material ESG risks and opportunities identified in the idea generation phase, members of the investment team analyze and document all relevant information related to these topics and conduct an ESG assessment. This assessment is included in each investment thesis presented by analysts and portfolio managers during regular meetings where they introduce new investment opportunities. It is the responsibility of the senior portfolio manager(s) overseeing the strategy to ensure the ESG assessment is complete. The weight allocated to various ESG elements as part of this assessment can vary by sector and company and will be imbedded in our financial analysis. Given our focus on governance topics, we have rejected numerous investment candidates solely or primarily as a result of significant concerns and issues with companies' corporate governance practices.

MONITORING AND RISK MANAGEMENT

It is the responsibility of the portfolio manager overseeing each strategy to determine how the ESG assessment influences the inclusion of an investment in the portfolio as well as how

it can potentially impact weighting decisions. In collaboration with analysts, the portfolio manager leading the strategy is responsible for overseeing the entire portfolio and monitoring ESG risks and opportunities on an ongoing basis throughout the life of the investment.

EXCLUSIONS

The investable universe is adjusted to exclude industries significantly exposed to certain risks, namely adult entertainment, controversial weapons (cluster munitions, cluster bombs, anti-personnel mines), gambling, recreational cannabis, tobacco and thermal coal extraction.

STEWARDSHIP

ENGAGEMENT

Direct engagements are at the core of VBA's investment strategy and philosophy. Regular engagements and dialogues with companies' management teams enable us to inform our views on potential and current investments and can contribute to continuous improvement of portfolio holdings over time. VBA conducts direct engagements with companies to discuss a variety of topics, including ESG factors. ESG-related engagement priorities are determined on a company-by-company basis and are guided by a company's specific material ESG considerations. We understand that engagements are a long-term process of dialogue with companies and our philosophy is to partner with companies and help them improve their policies and practices, including ESG-related ones.

Members of the investment team meet with company's management teams on a quarterly basis and discuss opportunities, goals and trends as well as ESG issues, and encourage companies to align with market best practices. The investment team also documents all engagements by tracking information such as the engagement's topic, type, persons engaged, and outcomes.

ESCALATION STRATEGY

In a case where a portfolio holding's practices do not align with VBA's overall investment guidelines, we will initiate a dialogue with management teams. Should this dialogue be unsuccessful to resolve the issue, we will initiate a dialogue with the Board of Directors. The next action we would take is to integrate our views in voting decisions. Should this action does not resolve the issue in question, VBA will write a letter to the Board of Directors and will ultimately divest.

COLLABORATIVE ENGAGEMENT

In addition to our direct active engagements, VBA believes that collaborative initiatives both from internal and external resources represent an effective way to promote the advancement of ESG best practices, improved transparency and ultimately, contribute to the performance across our portfolios.

PROXY VOTING

Exercising our proxy voting rights is an essential part of VBA's fiduciary and stewardship responsibilities. Each proxy statement is reviewed by members of the investment team who align with VBA's RI guidelines. The firm has subscribed to Glass Lewis to facilitate the proxy voting process however, each member of the investment team makes his/her own voting decisions. In cases where VBA's clients delegate us their proxy votes, VBA aims to ensure that all proxies are voted in alignment with shareholders' long-term interests and considers material ESG issues when exercising voting rights. Please refer to VBA's **Proxy Voting Policy** for more details on the firm's proxy voting guidelines.

REPORTING

ESG activities conducted by VBA's team is reported quarterly to the ESG Committee who subsequently reports to the EMC on a quarterly basis. The EMC reports on the firm's ESG activities to the Board of Directors on an annual basis.

VBA reports to clients on investment activities and performance of each strategy, including ESG activities, on a quarterly basis. It also reports to the UN Principles for Responsible Investment (UN PRI) on its approach to responsible investing and its stewardship activities on an annual basis.

VBA's OWN INITIATIVES

Considering how important we believe the ESG principles are for the planet, the human being and the financial results of a company, we have implemented our own policies and set our own goals when it comes to each the environment, social and governance.

Please refer to VBA's **Corporate Initiatives** for more details on the firm's own objectives.

POLICY REVIEW

This policy reflects VBA's responsible investment integration process as of August 2022 and is reviewed annually.