Cartica Management, LLC

Active Ownership Policy

Cartica Management, LLC (Cartica) is an SEC registered investment advisor managing private pooled investment vehicles. Our Active Ownership Policy applies to portfolio companies held in the funds managed. Cartica's Active Ownership Policy is embodied in our proprietary ESG methodology, through which we approach ESG integration and engagement. Through Active Ownership, we seek to enhance the risk-adjusted investment returns for our investors.

ESG Investing

Growing evidence suggests that integrating considerations of environmental, social, and governance ('ESG") factors into investment analysis offers investors long-term performance advantages through a better understanding of risk and opportunity. As an active owner, we hard-wire our ESG methodology from the first step in the investment process to evaluate the risks and opportunities of ESG practices in investee companies, to identify areas where value-added change may be possible, and to monitor and measure progress.

ESG in Emerging Markets

Emerging Markets are characterized by weaker public and private sector institutions and less effective regulatory oversight, which increases the cost of monitoring listed companies. Therefore, the potential for value addition through demonstrable improvements in ESG is greater than in Developed Markets. We look for companies that may not perform best on ESG, but who are willing to work with us to improve oversight, transparency, and management of material risks. Cartica looks at ESG primarily at the company level but also considers the macro level, as we believe understanding the operating environment is key to contextualizing the ESG performance of companies in Emerging Markets.

We start with the G

Governance is the key element of our strategy and one of the primary sources of value-addition that we seek as active owners. Studies have given credence to the fact that governance can be the biggest correlating factor of financial performance of E, S, or G criteria.[1] Cartica's experience confirms that improving corporate governance can contribute to performance and value enhancement in Emerging Markets firms. [2] Value creation through better governance ("G") occurs through:

(1) increased efficiency;
(2) identification of additional growth opportunities;
(3) better risk management resulting in lower cost of capital; and
(4) improved protection of minority shareholder interests.

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[1] Gunnar Friede, Timo Busch & Alexander Bassen (2015) ESG and financial performance: aggregated evidence from more than 2000 empirical studies, Journal of Sustainable Finance & Investment, 5:4, 210-233, DOI: 10.1080/20430795.2015.1118917

[2] *Clark/Feiner/Viehs*, From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance, March 2015; *Friede/Busch/Bassen,* ESG and Financial Performance: Aggregated Evidence from More Than 2,000 Empirical Studies, Journal of Sustainable Finance & Investment, 2015, 210).

Cartica seeks to identify governance obstacles that may prevent a firm from addressing strategic decision-making, operational efficiency and financial management issues. We invest in companies where we believe value appreciation is possible and where we see effective catalysts for the changes necessary to unlock value.

Environmental & Social

Identification, measurement and mitigation of material environmental and social risks ("E&S") is an inseparable part of enterprise risk management and can further strengthen a firm's standing in the product and capital markets.[3] Research has shown that organizations that voluntarily adopt meaningful E&S policies, sometimes called Sustainability policies, outperform in both stock market and financial measures.[4] Benefits of E&S analysis include value protection, proactive risk mitigation, social license to operate[5], and identifying value enhancing opportunities.

Cartica conducts its own analysis of material E&S risks of portfolio companies through a corporate governance lens. We believe that "E" and "S" risks are best managed, and opportunities for value creation are best exploited, by companies with strong governance frameworks. We evaluate whether a prospective portfolio company's governance is sufficiently robust to ensure E&S risks are properly identified, measured and mitigated. During our pre-investment research and post-investment engagement, we identify mandatory and voluntary E&S standards relevant to the company, the scope of their application and how adoption might benefit the company. In our experience, voluntary adoption of progressive E&S policies derives from a governance structure that takes a long-term approach towards maximizing value for the company and its stakeholders. In the ever-changing world of ESG and sustainability, Cartica's innovative approach is flexible to meet the needs of each individual portfolio company.

Integration

We have developed a proprietary ESG methodology and a set of tools for the assessment of ESG that is hard-wired into Cartica's pre-investment research and post-investment engagement process. From a top-down perspective, we take into consideration country-specific nuances related to ESG practices as well as disclosure and transparency shortcomings that may inhibit companies from realizing their fullest valuations. We share the results of our ESG analysis with our portfolio companies, typically in a formal presentation and through proprietary outputs. Cartica's engagement strategy with a portfolio company is never static. During our engagements, we often identify new areas of risk or opportunity. Cartica's innovative approach is flexible to meet the needs of each individual portfolio company and consider country-specific ESG factors.

Relationship Building & Proxy Voting

Cartica does not rely on ESG screens or quantitative scores, but engages with its companies on ESG issues directly through constant dialogue. We work with management and boards to help them improve governance, operations and transparency. We also vote our shares to signal approval or disapproval of management recommendations. Cartica votes its shares in line with our Proxy Voting Process and Guidelines, which set out our internal and external communication chain, common "no" votes, post-voting follow-up,

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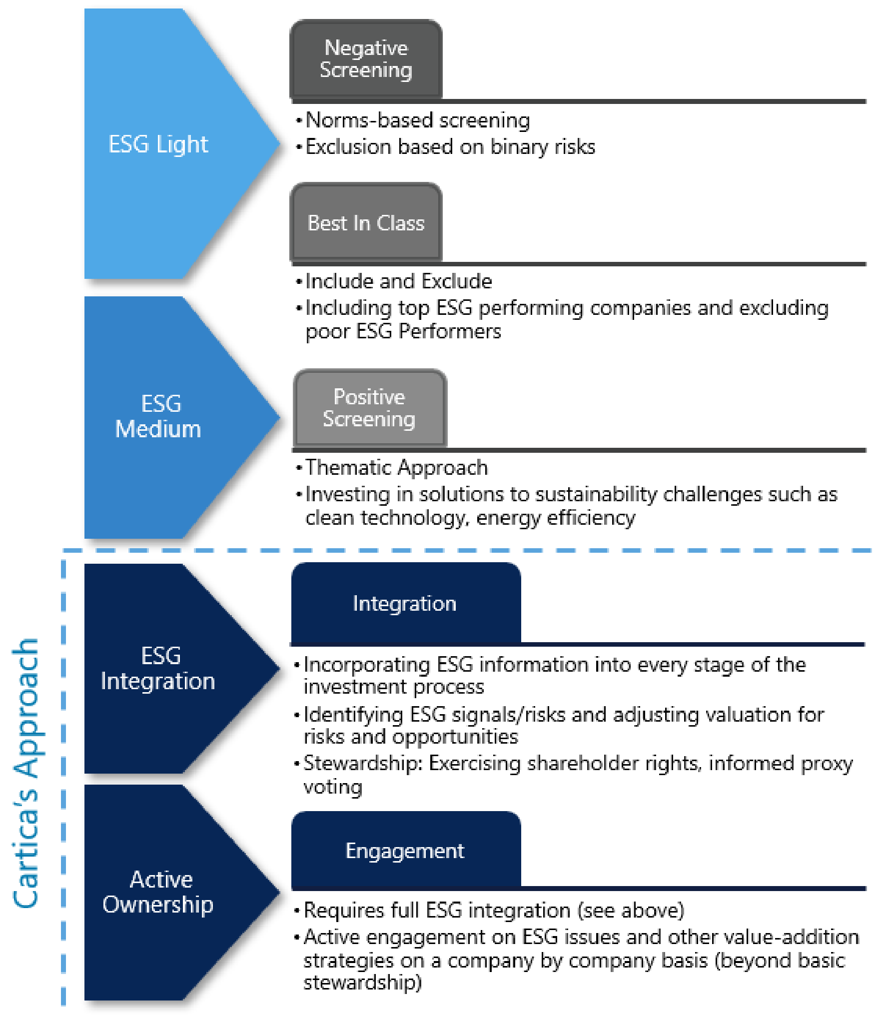
[3] HSBC Global Research, Global Equity Strategy – Investing Responsibly: The ESG Handbook, December 2015, https://www.research.hsbc.com/R/10/PrzycQQ; *Verheyden/Eccles/Feiner*, ESG for All? The Impact of ESG Screening on Return, Risk, and Diversification, Journal of Applied Corporate Finance, Spring 2016, 47.

[4] Robert G. Eccles, Ioannis Ioannou & George Serafeim, 2014. "The Impact of Corporate Sustainability on Organizational Processes and Performance," Management Science, vol 60(11), pages 2835-2857.

[5] Social license to operate is defined as existing when a project or entire company has the ongoing approval within the local community and other stakeholders or broad social acceptance for continuing operations.

and additional guidelines on issues such as board composition, compensation, minority shareholder protections, and auditors, among others. In order to build effective relationships and gain trust with our portfolio companies, we try to have constructive conversations before casting votes and inform companies when we vote against management recommendations.

Fig. 1: The ESG Investing Spectrum and Cartica's Approach



Education

Often we must first determine the company's level of understanding of ESG. This analysis is key in crafting our engagement strategy. Sometimes the first step is educating the company on the difference between CSR and Sustainability. Cartica assesses whether there is someone at the company whose job it is to oversee/coordinate the company's ESG efforts, and whether there is adequate oversight and expertise on the board. We make the distinction between Human Resources or charitable/CSR functions, and those whose responsibility involves true ESG risk management.

Standards & Best Practices

Cartica compares a company's E&S practices and disclosures to standards and regulations at the national, regional and international level. We also assess third party assurance. We will suggest best practices and initiatives that we deem most helpful to the company. We identify mandatory and voluntary sustainability standards, the scope of their application and how adoption of such standards or corresponding initiatives might benefit the company.

Appropriate reporting metrics are key, and should reflect the sectoral and geographical and context of the company. In many cases, companies need to be introduced to a global sustainability reporting framework, such as the Global Reporting Initiative (GRI).

Examples of standards & norms

National: Philippines Indigenous Peoples' Rights Act
International: UN Guiding Principles on Business and Human Rights
3rd Party: ISO14001 Environmental Management Standard
Industry-specific: Worldwide Responsible Apparel Production (WRAP) certification

Disclosure & Communication

An important part of our engagement with a company revolves around working with management to better articulate internally and externally how the company's approach to ESG impacts the bottom line. Frequently, companies are doing many of the right things, but lack mechanisms to relay this information to important stakeholders. Cartica emphasizes to the company that we can be a valued partner to improve this communication. Cartica uses reports of external ESG ratings agencies and quantitative data to show companies how they might be perceived by the market. Such reports also help us determine priorities for improving the perception of the company or getting the company full credit for its actions.

Stakeholder engagement

Stakeholder management is an essential component of brand-building. Cartica companies should anticipate stakeholder reactions and regulatory changes. In a highly globalized and technologically-connected world, reputational risks are material, and sustainability profiles can make or break a brand. Resource constraints can lead to conflict with local communities, cause operational disruptions and impact a company's social license to operate. Cartica nudges companies to go the extra step and engage with stakeholder groups through initiatives such as the Roundtable on Sustainable Palm Oil, or the Equator Principles.

Industry Engagement

Cartica also contributes to sustainable capital market development through collective investor initiatives. We are an active member of industry associations such as the International Corporate Governance Network (ICGN), the Principles for Responsible Investment (PRI), the Asian Corporate Governance Association (ACGA), the Council of Institutional Investors (CII), and the Brazilian Association of Capital Markets Investors (AMEC). In addition, we are signatories to several country-level stewardship codes. We take an active role in multi-stakeholder initiatives when doing so is in Cartica's and our clients' interest.

Monitoring

We regularly monitor our engagement history, as well as progress on engagement items with portfolio companies through both internal reporting mechanisms and formal outputs. As a PRI signatory since 2009, Cartica also reports annually on its ESG and active ownership practices.

For more information on our approach to Active Ownership, Engagement or Proxy Voting Process and Guidelines, please contact us.