

A SIGNATORY OF THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTING



Sophus is a long-term emerging market investor with a responsibility to act in the best interest of our clients.

As part of this commitment, inherent in our process:

- **From a quantitative perspective, we incorporate MSCI ESG* ranking signals**
 - a) To focus attention on companies that score well and/or improve in score.
 - b) To filter out the companies that score poorly and/or deteriorate in score.
 - c) To capture insights on companies that carry an ESG score from those that do not.

- **From a fundamental perspective, our focus on sustainable growth and business models has incorporated elements of ESG well before they became commercially popular.**
 - Environmental: We consider both positive and negative factors around environmental issues. One example is negative consideration when a company has a poor history on pollution, that has not been addressed, as they will at some point need to commit capital for improvement or reparation. This is contrasted with companies that have a positive focus on energy efficiency which will benefit them over the long term.

 - Social: We believe that successful companies strive for social responsibility to ensure positive habitat, labor and human rights that drives stable, productive growth. Among other benefits, this results in favorable relationships with labor unions, the potential development of underserved markets, a likely focus on client service and other company characteristics that are favorable over the longer term.

 - Governance: We incorporate proprietary Earnings Quality and Fraud signals in our analyst toolbox to highlight companies that potentially rank poorly on ESG factors i.e. board turnover, accounting standards, earnings quality and cash flow generation, as well as ratings from recognized agencies. Corporate governance enables conviction in a country, industry or company ahead of an investment.

*ESG refers to Environmental, Social and Governance