

RESPONSIBLE INVESTMENT POLICY

INTRODUCTION

Hanover Investors Management LLP (“HIM LLP”) is an investment firm investing primarily in UK and Nordic small and mid-cap public companies. Before any investment decisions are made, Hanover will identify the material risks associated with the proposed investment. During this process, sustainability risks are identified and assessed using the same process as is applied to other relevant risks affecting its investments. Sustainability risks will be integrated into the investment decision making and risk monitoring to the extent that they represent potential or actual material risks to the investments.

This Responsible Investment Policy (“Policy”) also applies to Hanover Investors Management (Malta) Ltd (“HIMM”) which is the Investment Manager to various Hanover funds. Together, HIM LLP and HIMM to be referred as “Hanover” or the “Firm”.

Hanover qualifies as a Financial Market Participant in terms of the SFDR. As a result, Hanover is required to have in place policies and procedures setting out the approach adopted by Hanover on the integration of sustainability factors in the investment decision-making process and within its risk management framework. SFDR defines “sustainability factors” as “...environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters ...” (the “ESG Factors”).

ESG Factors include, but are not limited to:

- Environmental: climate change; air/water pollution; biodiversity; deforestation; energy efficiency; carbon intensity; depletion of finite resources; and product evolution (energy-efficient products/renewable energy).
- Social: human rights; unethical supply chains; severe labour controversies; brand and reputational issues; and illegal working conditions.
- Governance: transparency & integrity; inadequate management of conflicts of interests; corporate governance failures; lack of appropriate board oversight; shareholder rights; bribery and corruption Policy

PURPOSE

This document sets out Hanover’s approach to investing responsibly and to the management of material ESG Factors, including the principles which Hanover is committed to and the procedures it has implemented to integrate these principles into its activities.

This Policy should be viewed in conjunction with the [SRD II Engagement Policy](#) and Stewardship Code Statement, and the [Public Market Stewardship Policy](#), which in tandem with this Policy, discharge Hanover’s stewardship responsibilities.

Furthermore, this Policy is aligned with the requirements of the Sustainable Finance Disclosure Regulation, which refers to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as may be amended from time to time.

In terms of governance over ESG reporting, Hanover is cognisant of the fact that there isn’t a one-size-fits-all approach—and it is most often a cross-functional team that has to collaborate to build and manage the process to oversee improvements in reporting quality, consistency, and breadth.

Material” ESG Factors are defined as those issues that Hanover determine to have a direct, significant or adverse impact on a company’s ability to create, sustain, or erode economic value, as well as environmental and social value for itself and its stakeholders. Given the nature and materiality of ESG Factors varying widely across companies, sectors, geographies, asset classes and through time, we consider ESG Factors in the context of each investment.

COMMITMENT

Hanover became a signatory to the United Nations Principles for Responsible Investment (UNPRI) in 2020 and is committed to the UNPRI's six principles:

Principle 1

We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4

We will promote acceptance and implementation of the principles within the investment industry.

Principle 5

We will work together to enhance our effectiveness in implementing the principles.

Principle 6

We will each report on our activities and progress towards implementing the principles.

OUR APPROACH

Our commitment to our fiduciary duty is underpinned by a Responsible Investment Policy that seeks to consistently and effectively, identify and manage material ESG considerations in Hanover's own operations and those of our investee companies during the lifecycle of the investments.

Hanover recognises ESG factors as a key component of regulatory, operational, and reputational risk, as well as being potential positive drivers of investment returns. Consequently, we consider ESG Factors at all stages of our investment process. We also partner with portfolio company management teams on their ESG strategies with a close focus on business priorities. Hanover will consider ESG factors as part of its investment process but, at this stage, will not consider adverse impacts of investment decisions on "sustainability factors" as specifically contemplated by the EU Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) ("SFDR"). Hanover has elected not to do so at the present time as it considers its existing ESG policies and procedures to be appropriate, proportional and tailored to the investment strategies of its funds.

Sourcing and due diligence

- Hanover's investment team is responsible for conducting ESG due diligence on investee companies, identifying their contribution to creating long-term value, driving competitiveness, and mitigating risks. Hanover will always act to protect its investors' economic interests and therefore identification of ESG Factors will not in itself prohibit an investment.
- The investment team's due diligence includes compliance, liabilities, reputational issues, ESG matters, risks, and opportunities. Potential issues and mitigation measures are explored, and external advisers engaged where required.
- Any material findings, and the effect of material ESG factors on company's future performance and its business operations are documented and incorporated into the final Investment Committee documentation.

Information gained from ESG diligence informs the collective understanding of a company's baseline performance relating to material ESG Factors and helps Hanover in the ownership phase. Hanover's primary focus is finding companies that it believes are able to generate good returns over time-horizon of our investments, but through our active ownership and engagement strategy we also encourage long-term value creation beyond our "typical investment time horizon".

Ownership

From early in the investment, Hanover seeks to support investee companies in improving their ESG performance. Where Hanover has 100% ownership, the portfolio company Board will be guided by "Hanover Investee Company Board Manual which explains our processes, procedures, compliance and governance expectations. The Hanover Investee Company Board Manual includes detailed questionnaires including ESG Guidelines, and questionnaires to explain ESG and cyber questionnaires, ESG Policy and KPI reporting., including sustainability and ESG Factors.

Hanover also conducts a detailed review of each management practice within the first 6 months of investment, leveraging the information obtained during the due diligence phase. This represents an opportunity for Hanover to engage with the portfolio, opportunities, and deploying Hanover's compliance playbook and best practices.

Monitoring and continuous improvement

Where Hanover's investment provides for a substantial degree of influence on an investee company, Hanover seeks to continually monitor investee companies' performance, including sustainability and ESG matters, as well as their progress on meeting objectives. Hanover uses as a main benchmark the [UN Global Compact principles](#), and has recently started encouraging investee companies to identify and assess sustainability outcomes at global level and at the level of the particular asset, by using the [Sustainable Development Goals \(SDG\)](#) targets and indicators, and also the [Sustainability Accounting Standards Board \(SASB\) framework](#), which is a state-of-the-art format and guidelines for communicating impacts and activities in a structured manner relevant and appropriate to the specific industry.

In cases where Hanover determines it has limited ability to conduct diligence, or influence and control the integration of ESG considerations in an investment, Hanover will appropriately incorporate the applicable elements of this Policy. In this case, Hanover employs a flexible approach to create a long-term impact integrating ESG matters, by entering into a direct dialogue, collaborative engagement with other investors, and using the proxy voting. For further information please see [Stewardship Policy]. During the period of ownership, Hanover monitors investee companies' ESG performance with a view to helping management teams identify and respond to opportunities for further improvement on an ongoing basis.

Encourage strong ESG governance within investee companies

Hanover expects its investee companies to commit to:

- **Governance and Business Integrity**, including code of conduct, appropriate internal controls, board composition, audit and remuneration committees and appropriate health & safety measures and grievance procedures.
- **Risk and Compliance**, including adherence with all laws and regulations, active risk management, business continuity plans, as well as standards and policies to combat corruption, bribery, money laundering and other negligence.
- **Data Privacy and Cybersecurity**, protecting the confidentiality of personal data and corporate information, **including** privacy and IT security programmes.
- **Environmental impact**. We encourage our investee companies to map out their carbon footprint and assess possibilities to reduce or eliminate carbon footprint. Hanover strives to further engage with our investee companies in improving their performance on a continuous basis in relation to (i) environmental factors inter alia asset utilisation, operational efficiency and ecological impact; (ii) social factors inter alia stakeholder relations, employee wellbeing, health enhancement and diversity, and (iii) governance factors inter alia board composition, shareholder rights and aligned incentives.

Commitment to operate responsibly

Hanover strives to embed effective ESG practices in its own operations as well as in its investment activities. Within our own operations this includes:

- Complying with all relevant regulations and upholding the highest standards of business conduct in all situations. All employees are required to abide by Hanover's guidelines for Code of Conduct and Ethics, as well as our Anti-Bribery Policy.
- Recognising that our employees are one of our most important assets and that maintaining a diverse and inclusive workplace with engaged and motivated employees is vital for business success.
- To have a positive impact on society by building positive external relationships, acting with transparency, and minimizing our environmental impact.

Membership, Reporting and disclosure

Hanover is a member of Alternative Investment Management Association (AIMA) which is a global representative association of the alternative investment industry with over 2,000 corporate members in over 60 countries. The association seeks to provide leadership and guidance to its members and provides industry standard policies, guides and templates.

Hanover recognises that our ESG initiatives are ongoing in nature and seek to encourage continual improvement in ESG performance, both in our own operations and the investee companies in which we are invested. We commit to periodically providing ESG related disclosures to our investors with the aim of articulating the value enhancements achieved through improved ESG performance. Hanover shall publicly report on its ESG activities in the annual Responsible Investment Transparency Report produced for the PRI.

ROLES AND RESPONSIBILITIES

The Partners of Hanover are the sponsors of this Policy, and the COO is accountable for its implementation.

HIM LLP Leadership

The Policy Committee of HIM LLP will review and, where necessary, update this Policy annually to reflect ongoing efforts to improve its responsible investment approach, as well as emerging requirements from stakeholders and evolving good practices.

HIMM Leadership

The Board of HIMM will also periodically review this document to ensure that it remains up-to-date and consistent with HIMM's regulatory obligations under applicable law and risk appetite.

The Compliance Officer of HIMM shall be responsible for initiating and facilitating an annual review of this document and its implementation, which review shall be carried out in light of legal and business developments as well as the HIMM's experiences in its implementation.

ESG Committee

We have established an ESG Committee within Hanover whose remit is to drive the deliverables laid out in this Policy as well as providing a forum for sharing best practice, ideas and ensuring that ongoing education is provided across the business.

The Committee is comprised of professionals from across the firm to help enforce accountability of the Policy throughout the entire organisation, and to ensure that there is full integration and consistent application of our overarching Policy with our asset level policies and reporting deliverables.

The Hanover ESG Committee meets regularly to discuss and review our internal ESG activities. The ESG Committee meets regularly to consider ESG matters as they relate to the investment activity of the firm and those of our investee companies. The members of the ESG Committee strive to continually enhance their knowledge and familiarity with ESG Factors and best practices in the industry.

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Created by (Name, Role):	Rebecca Boscott, COO
Approved by (Name, Role):	Policy Committee
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Change history

Date	Version	Created by	Description of change
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