

ESG & Stewardship at Black Creek Investment Management Inc.



What does ESG & Stewardship mean to us?

At Black Creek Investment Management, ESG & Stewardship refers to our approach to integrating material environmental, social and governance (“ESG”) factors into our investment process, as well as our approach to ‘active ownership’ or ‘stewardship’ through engagement and proxy voting, all of which are described in detail below.

Our Approach to ESG

As a long only, active investment manager we focus on investing in winning businesses that are well-managed with a sustainable competitive advantage in the markets in which they operate. As fiduciaries, we invest for the long-term and have a forward-looking approach to business valuation which has always included a careful consideration of material ESG issues that may impact value.

We manage concentrated portfolios and take pride in having an in-depth knowledge of the companies in which we invest. As part of our fiduciary duties, we study historical financial performance, trends, technological changes, sensitivities to economic factors, and externalities which may affect the future economics of the business. We favour companies that align management’s interests with the interests of shareholders through, among other things, an effective approach to executive compensation. As a result of our knowledge of our investee companies and the sectors in which they operate, we are able to understand how ESG factors may impact a company’s current or future financial performance.

We recognize that ESG issues may impact individual company performance as well as the performance of an entire portfolio, so we consider those risks and opportunities for individual investments and for the portfolios as a whole. We are always mindful of emerging ESG-related issues and of regulatory changes that may impact companies or entire sectors. Black Creek strives to remain current in our knowledge of trends and changes as they relate to ESG factors which may affect company performance. We continue to pay close attention to climate change-related risks and opportunities and integrate them into our investment analysis and decision-making when they are material, as we do with all relevant ESG related factors.

In light of our ESG integrated approach, we generally do not exclude any particular investment or industry based on ESG factors alone. However, we can provide ESG exclusionary screens for clients that have specific perspectives and want to align their investments with their values.

ESG is part of our Investment Decision-making

We do not believe that ESG factors should be considered separately from all other factors that are considered when we make investment decisions. We believe ESG factors must be viewed in the context of the competitive environment facing a company, paying particular attention to how the risks and opportunities are being managed. We evaluate a company's current practices and its strategies for the future. We recognize that past performance or actions will not necessarily predict future outcomes. With respect to ESG factors, positive change towards improved ESG-related practices may be particularly important.

All our investment professionals are responsible for identifying, analyzing and monitoring investment risks and opportunities, including those that are considered ESG issues. We believe that a company's approach to ESG must be considered along with its strategy, operations and in the context of the markets in which it operates. Our investment professionals read proxy circulars, annual reports and sustainability reports as a matter of practice and assess ESG-related disclosure and performance in the context of the company's overall performance. As understanding of the connection between ESG factors and performance continues to evolve, we will continue to analyze and consider different methodologies that can assist and enhance our investment decision-making.

While some ESG-related 'best practices' are generally applicable, particularly in the area of governance, we don't believe that there can be a 'one size fits all' approach to ESG factors. When judging the performance of a company with respect to ESG, we consider numerous criteria, which may differ by company, industry, and country including:

- Transparency, disclosure and performance reporting of material financial and ESG factors
- The independence of the board and governance framework
- Respect for the rights of shareholders
- Adherence to all international regulations and applicable laws (e.g. corrupt practices)
- Use of energy-efficient practices and facilities
- Conservation efforts in the use of inputs; reduction of harmful outputs and waste
- Responsible community practices
- Employee attraction, retention, engagement and equitable treatment
- Identification and management of climate change-related issues

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We understand that ESG factors may impact value

Our investment team is well-positioned to understand how ESG factors may impact value. We have extensive international experience and our team's diverse background and education enables us to consider ESG factors in different cultural terms and contexts. We routinely visit companies and engage with management teams, which provides us with a deeper knowledge of the company. Our due diligence and knowledge of the company gives us an ability to better assess ESG factors that cannot be fully understood through disclosure alone. Our investment team also has access to a variety of sources of research and data, including but not limited to company published data, MSCI ESG company research, industry, country and controversy reporting, sell side research, and independent research. In addition, our investment professionals receive incentive compensation that is heavily weighted to long-term performance to ensure they are aligned with our investment approach.

We are Active Stewards of our Investments

Since we manage concentrated portfolios and invest for the long term, we think and act like owners and have substantial access with the companies in which we are invested. We routinely engage and communicate with management and board members, as appropriate, to discuss all aspects of a company's strategy and performance, including those related to ESG. We regularly encourage companies to improve their ESG-related policies, practices and disclosures.

Our culture shapes our approach to engagement with companies. As in our own firm, we encourage an open, constructive discussion and believe it is important to listen to the company's perspective on ESG related issues. When we ask a company to improve their ESG policies, practices and/or disclosure, we believe it is important to give them a reasonable amount of time to respond to our requests.

We recognize the importance of continuing to monitor our investments to ensure that companies follow through on any commitments they have made to improve. We continue to refine our engagement approach to ensure that we are driving positive outcomes. We recognize the importance of using our proxy voting rights to support our fiduciary efforts, although often we find that through engagement, we can improve a company's policies and practices without having to vote against management.

When exercising our responsibility to vote, we do so according to our custom Proxy Voting Guidelines which we apply globally and review annually. We do not rely on any external third-party proxy voting service provider nor do we subscribe or endorse any standard voting

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guidelines prescribed by any external organization. In addition to our Proxy Voting Guidelines, our portfolio managers are guided by our Compliance Manual which contains comprehensive guidelines regarding how we conduct our business, including the requirement for our investment professionals to have their financial assets invested in our funds. Our portfolio managers read and vote all our proxies to ensure that our voting is in line with maximizing long-term shareholder value.

We are happy to share our Proxy Voting Guidelines or provide our proxy voting records upon request with existing or potential clients. We are always willing to discuss our views on any portfolio holding with our clients, as well as the rationale for any of our proxy votes.