



2021

SUSTAINABILITY

Policy Statement
ESG Philosophy and Approach

NIPUN CAPITAL, L.P.

SKILLED | STANDING ON A STRONG FOUNDATION

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INTRODUCTION

NIPUN CAPITAL, L.P.

Nipun Capital, L.P. is a minority and woman owned, investment management firm with expertise in global public equities. The firm's investments are driven by a quantitative process, with the aim of incorporating all publicly available data into our investment process. Nipun provides investment management services to primarily institutional investors. We invest our personal assets alongside our clients', aligning our incentives with theirs. We act as a fiduciary to our clients and seek to maintain the highest ethical standards in managing our client's assets.

OBJECTIVE

SUSTAINABLE INVESTING

This document outlines our core beliefs and commitment to sustainable investing. It also discusses how Environmental, Social, and Governance (ESG) factors are currently integrated into our lives, firm and investment processes. The document does not seek to describe every activity relating to sustainability, but summarizes the key principles and thought processes at Nipun. ESG disclosure and data availability is rapidly evolving and we expect our implementation of these principles to evolve as well. However, our core beliefs will remain the same.



"We are a small organization but strongly believe that our actions have a much larger impact than our numbers would suggest. Change occurs at the individual level and actions speak louder than words, so it starts with ourselves. We strive to vertically integrate ESG into our organization and investment strategies, with the goal of being good stewards of the planet and building a sustainable future for our children and the next generation."

PHILOSOPHY

RESPONSIBILITY TO MAKE THE WORLD A BETTER PLACE

As global citizens, we recognize that sustainable development is one of the major challenges facing humankind today. The environment is under threat, putting the survival of future generations at risk. Social and economic inequalities are widening, as evidenced by the almost 700 million people who live in extreme poverty with over half of them children.

We believe it is our responsibility to help make the world a better place. As an investment manager our actions can have a meaningful impact to affect changes for the better. In particular, by investing in companies that engage in sustainable practices, we lower their cost of capital, helping them thrive and succeed. The successes of these companies will quicken the pace of adaption by all companies to practice sustainability and help achieve the goals of environmental sustainability, and economic and social equalities.

As an organization, we embrace ESG principles at the corporate level to create a better company and contribute to a better world. This commitment enhances our culture, improves employee motivation, fosters stronger community relations and lowers risk for the firm.

Our primary investment goal is to generate strong risk-adjusted returns for our clients. Our research shows that this overarching goal can be achieved while incorporating ESG factors in our decision making process. We recognize that we and the world are at a starting point of a journey and the importance of ESG practices is set to grow over the next few decades. We want to be a part of this change and make a difference in accelerating the pace of this transformation.





OUR APPROACH

INTEGRATING ESG METRICS INTO OUR RESEARCH AND PORTFOLIO MANAGEMENT PROCESS

We start by focusing on our actions as individuals, because we believe change starts at the individual level, and then strive to integrate ESG into how we run our organization and manage our investment strategies. We believe that doing so serves the goal of being good stewards of the planet, and also enhances long-term investment returns.

At Nipun, we have taken the approach to integrate ESG metrics into our research and portfolio management process. We believe that stock returns are driven by a company's fundamentals and by investor sentiment around the stock. We build models to predict company fundamentals and measure investor sentiment. In each of the models, we carefully evaluate the impact and materiality of ESG metrics.

Our investment approach is data driven, based on sensible economic intuition backed by empirical evidence. We apply the same approach to ESG integration, starting with sensible good practice, gathering data on these practices, evaluating their impact on company fundamentals and sentiment, understanding the return generating mechanism and finally, the effectiveness in predicting returns or managing risk.

The heartbeat of Nipun is a learning community that enjoys being together. Not only is continuous innovation a pre-requisite for success in financial markets, it is a shared passion at Nipun. The opportunity to discover new ideas, innovate and learn something new about the markets every day is intensely exciting to us. Sustainable investing is incorporated into our research agenda, akin to other investment ideas that we explore. We believe this will be a fruitful area of innovation as policy and regulations change, disclosure improves, and investors continue rewarding responsible companies.

Many of the stock selection models at Nipun are contextualized to each country. As we apply each of our investing principles to stocks within a specific country, we aim to develop the most relevant proxy to measure that specific principle in that particular country. We plan to extend this approach to ESG factors as well. For example, how we measure governance in each country and sector may vary depending on regulation, disclosure and materiality.

IMPLEMENTATION

ENVIRONMENTAL, SOCIAL, GOVERNANCE

We take a holistic view towards sustainability, incorporating it in our stock selection framework as well as in our risk management framework. Our definition of sustainability is broad, encompassing ESG factors in the following categories:

- Environmental: including emissions and resource usage
- Social: focusing on workforce diversity, employee satisfaction, human rights, community development
- Governance: measuring management's commitment to best practices, board structures, and treatment of shareholders

Disclosure and quality of these metrics can vary significantly by country. We expend significant resources on buying commercially available sustainability data and metrics, collecting and cleansing data and developing proprietary insights.

Our research shows that some of these metrics, specifically those related to governance, can predict a company's future fundamentals. These metrics are subject to the same rigorous analysis as any of our other return prediction models. Once approved by our Investment Committee, these metrics are incorporated into our stock selection framework and become part of our systematic investment process. The metrics incorporated into our stock selection framework directly impact our forecast of a security's expected return and hence its position and size in our portfolio.

In our current implementation, we view social and environmental factors as representing material risks. These risk may translate into financial risk when key events occur. Subject to data availability, we rank every stock in our investment universe on these factors. We adjust our expected risk forecasts for stocks that have a high degree of environmental and social risk. In our portfolio construction process, the portfolio takes smaller positions in stocks with a higher expected risk forecast (all other things being equal). Hence, these social and environmental factors directly impact the position size of stocks in our portfolio.

In addition, we monitor stocks that have been involved in recent controversies on any of the ESG topics. Our view is that these also represent material risks.

The end result is that our portfolio takes smaller or no positions in stocks that rank poorly on our defined ESG metrics. In parallel, this frees up capital to deploy in higher ranking stocks, which is in line with our philosophy of rewarding companies that are engaged in sustainable practices.

Our boutique structure allows us to provide fully customized portfolio solutions including screens and thematic portfolios. We welcome and encourage dialogue with our clients who may need customized portfolios based on their own sustainability goals.

OVERSIGHT

STARTING AT THE TOP

The ESG initiative at Nipun is being driven by the Partners themselves. This dedication of time and resources by the senior leaders is a sign of our commitment. They are responsible for framing the overall policy, guiding research and implementation and serving as a resource for the rest of the team. Among other responsibilities, the Partners are establishing an ESG training module for employees, in addition to the training on ethics, cyber security and diversity that is led by the Compliance Officer.





OUR ORGANIZATION

SUSTAINABLE INVESTING

Our firm and culture embodies our commitment to sustainability. The leadership team strives to model behavior in our individual lives that demonstrates that we take sustainability seriously, and we encourage our broader team to do the same.

With respect to environmental considerations, we are focused on energy efficiency, waste minimization and limiting travel. Our offices are housed in a facility that is LEED certified and Energy Star Rated, with comprehensive recycling and composting programs. In an effort to minimize paper usage, we moved to using electronic marketing materials about 5 years ago. In an effort to reduce our carbon footprint, we are cutting back on airline travel unless absolutely essential.

Employee well-being is critical to our success. Recognizing this, we established several financial and non-financial schemes aimed to retain talent and create a sense of community. Key initiatives include a profit sharing plan, a training and development budget for each employee, gym membership (in addition to use of gym facilities at our office building) and wellness days. Community building activities include celebrating various cultural holidays and family oriented events (like Bring Your Parents to Work Day!).

Being a woman and minority owned firm, diversity and inclusion is a special focus at Nipun. Members of our teams come from a variety of ethnic, cultural and national backgrounds, and sexual orientations.

Being a fiduciary for our clients involves maintaining high governance standards within the firm. To us, this encompasses a robust cyber security program, strict AML implementation with support from our partner organizations, separation of duties, an insider trading policy, a clear and articulate whistle blower policy and a strong code of ethics. We strive to ensure that each employee understands these policies and our expectations of adherence.

LOOKING AHEAD

FUTURE COMMITMENTS

We are proud of the efforts we make. We would like to work with investors that have exacting sustainability requirements and hold us to a high bar, thus helping us improve ourselves. We have a strong culture of continuous improvement, and finding ways to build on what we do on sustainability is very much a part of that.

