

DE LISLE PARTNERS

Guidelines on Social Factors

Public

July 2025

GUIDELINES ON SOCIAL FACTORS FOR ESG ASSESSMENTS

This document sets out the parameters and questions we consider when assessing the Social aspects of ESG reporting for North American listed equities in which we invest. Our focus is on small-cap US equities which do not yet have the depth or frequency of ESG disclosures found in larger and/or 'dirtier' enterprises such as oil and gas, mining, chemicals, industrials.

Sources of information: public disclosures including the company's website, its sustainability reports and/or regulatory filings, notably the 10-K Annual Report; third-party Morningstar/Sustainalytics ESG ratings where available, social media reviews and commentary and focused internet searches including jobs sites.

Our bespoke template covers the main areas of social concern focusing on those aspects that are most relevant, depending on the sector. We believe that there is a correlation between good places to work and good performance in the stock market.

Our scoring takes into consideration a number of factors designed to elicit information on Diversity, Equity and Inclusion (DEI) initiatives, health and safety, wages and benefits and training. We expect companies to publish an employee Code of Conduct as a minimum.

Key priorities:

1. DEI initiatives

We expect to see DEI initiatives in all our stockholdings, and evidence that the company is either aligned, or working towards alignment, with its sector in the numbers of women and people from different ethnicities employed at all levels.

There should be a published DEI policy, an internal or external DEI training officer, and senior management or, ideally, board-level supervision. We look for evidence of formal DEI training and also voluntary employee-led programmes to foster inclusivity such as Employee Resource Groups (ERGs).

2. Pay and working conditions

We look at pay packages for different levels of jobs and how these compare to peer group companies, levels of unionisation and management's engagement with unions, retention levels, TRIR incident/accident rates, paid holidays and time off, and levels of company contributions to medical and pension plans. We aim to assess pay packages against median salaries in peer companies.

3. Performance bonuses and incentives

We expect all our companies to have some sort of discount, incentive or bonus scheme in place for employees to reward good performance. This will depend on the type of company: it could be commission payments, monthly or annual bonuses

and/or discounts on products. We also like to see a company-wide stock purchase plan and, where appropriate, other forms of profit sharing accessible to all full-time employees.

4. Training and leadership development

Opportunities for advancement are key to staff retention and a happy workplace. We expect our companies to offer both voluntary and structured training programmes, beyond health and safety, including external courses or internal mentoring to identify future leaders.

5. Engagement with management

We expect companies to provide opportunities to engage with senior management i.e. above reporting to line managers. These can either take the form of an open forum or an annual survey of employees. In the US, Town Halls are becoming popular, meetings where employees can bring up issues directly with senior management. A number of our companies also subscribe to the Kaizen culture of fostering employee engagement to elicit ideas that can lead to increased productivity and business efficiency.

6. Risks of human rights abuses, child/ forced labour in the supply chain

We expect our companies to work with all suppliers to ensure that these risks are assessed and monitored. We encourage them to report on these activities annually.

7. Community impact

We make an assessment of the level of charitable donations and works, both in terms of the money and/or goods donated and the number of paid hours off given to employees to participate in charitable works in their communities.

Engagement strategy

Where there are gaps in reporting or inadequate information on which to complete our own bespoke reports, we engage with the company usually through the Investor Relations department. In smaller companies, notably community banks, the Chief Financial Officer is usually responsible for sustainability matters.

We initially send in a list of questions to the company that we would like answered. If this does not elicit a response, we start phoning the company to find someone in authority to engage with us. We have found this approach is largely successful though it can take time to obtain the more detailed responses that satisfy us.

Even in cases where we have had limited success, we hope that by pursuing direct engagement with management will encourage the company to start considering ESG issues and publish basic reporting which will satisfy EU and UK investors.

We also vote against management at Annual Meetings of Stockholders over any plans (often introduced by stockholders) to roll back DEI initiatives in line with the US government's change of stance on these matters.

Prepared by: Gill Charlton, Head of Research and ESG

Approved by: De Lisle Partners Investment Committee

De Lisle Partners LLP, registered in England No OC310994, is authorised and regulated by the Financial Conduct Authority, FRN 426336. The investment products and services of De Lisle Partners LLP are only available to professional clients and/or eligible counterparties. They are not available to retail clients. Past performance should not be seen as an indication to future performance. Investment in the Fund carries risks which are more fully described in the prospectus.