ESG Policy Statement

June 2023

For 40 years, Scharf Investments has integrated environmental, social and governance (ESG) considerations into the work we do to preserve and grow capital for institutional and individual investors. Since our founding amidst the redwood trees of California's Central Coast, our investment process has focused on **quality**—specifically, sustainable earnings over an economic cycle—and **risk mitigation**—modeling downside risk as much as upside returns and demanding a spread between value and price. As a result, we believe this creates portfolios of sustainable businesses with compelling Carbon and ESG Risk scores. We believe buying high quality companies at compelling valuations is foundational to long-term investment success.

ESG Guiding Principles

We believe:
- Companies that score well on ESG metrics tend to be less risky and have more durable earnings growth.
- Combining ESG risk factors with rigorous, fundamental investment analysis improves the chances for superior risk-adjusted returns for our clients.
- Superior corporate financial performance is often associated with superior environmental and social performance, and best-in-class governance practices often indicate top management and leadership.
- Buying high quality companies at compelling valuations is foundational to long-term investment success.

ESG Oversight and Governance

We do not believe ESG research considerations should be primarily reviewed by a dedicated ESG research team. Given our strategy, we believe it is more effective and holistic to fundamentally integrate ESG into each step of the research and portfolio management process. The covering analyst leads research on company-specific ESG risk and leverages our ESG Stewardship Team for assistance. The ESG Stewardship Team focuses on corporate and industry ESG trends, best practices, and issues.

The ESG Stewardship Team reports to our Investment Risk Committee as we recognize the benefits of a separate ESG oversight function that seeks to measure and manage risk and promote aggregate ESG outcomes via formal ESG policies regarding proxy voting, portfolio reporting and company engagement.

Meanwhile, we strongly believe that portfolio decisions are made solely by the investment team.

ESG Integration Framework

Our approach to ESG integration is comprised of three distinct components:

Investment Approach	Portfolio Monitoring	Active Ownership

Investment Approach

At Scharf Investments, the investment thesis and fundamental valuation opportunity comes first. We do not screen solely on Carbon and ESG Risk scores, but we do seek to build a portfolio with compelling aggregate metrics. ESG incorporation is part and parcel to a proper assessment of an investment's risk and opportunity.

Security Selection

The investment team conducts deep research on portfolio candidates and seeks to identify companies with top quartile earnings predictability at attractive valuations vs. their trading histories, industry peers or the broad equity market. Specifically, the team seeks to find stocks that offer 30%+ upside to our assessment of fair value and, as importantly, only 10-15% downside to a bear case scenario. The team constructs Favorability Ratios, or the percentage upside to bull case price target vs. the percentage downside to bear target, seeking ratios of 3-to-1 or greater for portfolio inclusion. The team believes that the combination of earnings predictability and attractive valuations mitigates risk and promotes superior portfolio performance during adverse markets. The incorporation of ESG issues is fundamental to the team's assessment of earnings predictability and downside risk. The minority of companies with higher Carbon or ESG Risk scores or severe ESG controversies generally require a Favorability Ratio of

4-to-1. Analysts individually utilize the extensive database of ESG research and score ratings from Sustainalytics, findings from our ESG Stewardship Team, ESG standards organizations, company filings, management meetings, and industry reports to incorporate into an investment case, our proprietary earnings forecast and an appropriate target valuation. An ESG analysis is included in each stock research report with an emphasis on matters most relevant to the company and its inherent industry financial ESG risk factors.

Research reports for candidates with severe ESG controversies or high Carbon or ESG Risk scores require additional review by the Investment Risk Committee. The investment case must include a detailed assessment of the ESG issue and present a firm view of the issues as well as justification for purchasing despite the risks.

Portfolio Construction

The investment team desires to construct a portfolio with compelling aggregate Carbon and ESG Risk Scores. Specifically, the team seeks to construct a portfolio with a Carbon score lower than 10 on a scale from 0 (negligible) to 50+ (severe).

Historically, the investment team's predilection for high earnings predictability and sustainability businesses has resulted in portfolios with relatively lower carbon risk measures. Portfolios have historically been intentionally under-indexed to energy stocks and cyclical industries characterized by high Scope 1 and 2 carbon commissions.

Portfolios historically have been over-indexed to sectors and industries associated with lower carbon scores, such as health care, software, communication and business services.

Portfolio Monitoring

The investment team and the ESG Stewardship Team are continuously monitoring portfolio holdings using company filings, news flow, buy-side and sell-side research, and ESG Risk and Carbon scoring and research databases from Sustainalytics.

Portfolio companies with poor Carbon or ESG Risk scores, trends or severe controversies are flagged and added to our ESG Watch List by the ESG Stewardship Team. As of 30 June 2023, only one position representing 3.7% of portfolio exposure has a High ESG Risk score.

Covering analysts work with the ESG Stewardship Team to assess the magnitude and cause of the poor ESG performance, and clearly outline the firm's position on the matter in stock research reports and for the Watch List. Analysts and the ESG Stewardship Team may engage with the company's management on the ESG issue to gain further information or clarification. If the company or an external ESG research service provider, such as ISS or Sustainalytics, has already published a company's public response, it may replace this engagement.

Active Ownership

Engagement

Scharf Investments has taken corporate governance seriously since our inception. We believe engagement with management can promote positive ESG outcomes and pay special attention to minority shareholder rights, board independence, executive compensation, and management's capital allocation track record. We are not activist investors, but we seek to invest in companies with management teams who act in the best interest of stakeholders. As social and environmental issues are increasingly scrutinized and present financial risk to our clients' investments, we actively monitor them and assess and engage with management accordingly.

To further our capacity to engage, we also use Sustainalytics' Material Risk Engagement service as a supplement to our management engagement activities.

Proxy Voting

Scharf Investments has adopted proxy guidelines that promote stakeholder returns and are consistent with sustainable investing. We use Institutional Shareholder Services (ISS) as a proxy service advisor to supplement our ESG research and help inform our voting from an ESG perspective. We will vote against management recommendations if we are not confident that the result will be in the best interest of stakeholders. We report our voting history and the percentage of time we vote with or against management.

Scharf Investments is an independent and employee-controlled global asset and wealth management organization with $4.3 billion in assets under management as of June 30, 2023. Our time-tested investment process is designed to help institutional and individual clients achieve their ESG investing objectives and improve investment outcomes over the long term.

Investment in securities involves significant risk of loss. An investor in any of the strategies managed by Scharf Investments must understand and be willing to accept those risks, including the loss of a substantial amount of any such investment in securities. Those risks include the risk of changes in economic and market conditions, the concentration of investments within a portfolio, and the volatility of securities. Do not use this presentation as the sole basis for investment decisions. Consider all relevant information, including investment objectives, risk tolerance, liquidity needs and investment time horizon before investing. The performance data quoted represents past performance; past performance is no guarantee of future results.