

Cardinal Capital Management, Inc.

ESG Policy



About Cardinal

Founded in 1992 by Timothy Burt, our company was built on the premise that most investors do not have access to good long-term investment alternatives. Since these early days, our team has been driven by a commitment to consistency, discipline, research, and an unwavering desire to do what is best for our clients and their families. Our approach has been rewarded by a proven track record, and by growing assets of a large number of private and institutional clients.

Our Investment Approach:

We invest in strong businesses that have a history of paying and increasing dividends that are backed by steady earnings growth. Those dividends translate into long-term growth and reward to shareholders that earn a growing dividend stream along with capital appreciation. These same companies often adhere to sound environmental, social, and governance (ESG) criteria and understand that integrating ESG standards into their operations and strategies is the best course for long-term profitability and sustained growth.

We take a value approach to investing that begins with fundamental, bottom-up stock selection. Our portfolios are built with large-cap, high-quality stocks that we believe will continue to deliver dividend and earnings growth, while still selling at attractive valuations. We look to invest in industry leaders with strong balance sheets and proven track records. A combination of inhouse research and a deep understanding of the economy guide our investment decisions. Our portfolios are built up of a small selection of high-quality stocks and we do not defer to the index.

Incorporating ESG Into the Investment Process

Cardinal became a signatory to the UN-PRI in January 2021, and Cardinal's first compliance report is due by January 2023.

Cardinal's investment strategy is driven by extensive research focused on investing in quality companies. We use a fundamental value approach with an emphasis on the long-term health of companies and industries. Since Cardinal's founding, we have taken into account qualitative factors including board governance, management quality, employee relations and industry regulations. Formally adopting ESG considerations was the next logical step and goes hand in hand with our view of investing in companies for the long term. We believe that leaders of outstanding companies place a high emphasis on ESG factors that materially impact their businesses.

Cardinal incorporates ESG information into investment decisions utilizing information gathered through a combination of in-house research, third-party sources, and direct engagement with company management. We use a screening process that includes ESG factors along with



traditional financial metrics to ensure a company meets Cardinal's strict investment criteria before considering the company for inclusion in our portfolios. For companies passing our initial screen, our analysts build a financial model that includes a financial forecast, valuation analysis and identification of material financial risks, including ESG risks.

ESG research responsibilities are the responsibility of the entire investment team including the portfolio managers and analysts. We consider industry-specific issues along with common ESG issues that may include:

Environmental: environmental regulation, sustainable resource use, reducing waste and pollution, water conservation, emission reduction targets, environmental asset liabilities

Social: workforce composition including diversity, labour standards, health and safety policies, employee relations, community engagement, training programs

Governance: board oversight and effectiveness, board diversity, director elections, executive compensation, tax strategy, cyber security

Through our decades of investment experience, we have found that companies with strong governance, social and environmental rankings tend to be the ones that can provide stable, growing cash flows, and by extension, dividends over the long-term. As such, we believe that examining how a company handles these issues is a strong indicator of the historic quality of management as well as a strong predictor of their ability to maintain and grow earnings for the foreseeable future.

Incorporating ESG factors into our analysis is an important part of our investment decision-making. Companies will be considered for inclusion in portfolios where we can adequately assess ESG risk factors along with more traditional risk factors.

Company Engagement

On behalf of our clients, we actively ensure that discussions with management teams include ESG issues pertinent to that company and we address areas where ESG disclosure is lacking. We track our engagement activities, note pertinent items to investigate further and will have an annual engagement report available upon request.

Proxy Voting

Proxy voting provides shareholders the ability to exercise their influence including to encourage good corporate governance and improve environmental and social policies. For each of our companies, we review each proxy item before casting votes and evaluate all motions. We take into account lasting value creation, sustainable business practices, board accountability, plus look for board practices and decision-making practices that are in the best long-term interest of the company and its stakeholders.

Cardinal subscribes to the proxy-voting services of Institutional Shareholder Services (ISS), which provides an in-depth report on all proxy-voting issues. We take both their recommendations and our own views into consideration when voting proxies.

The UN PRI Guiding Principles

- Incorporate ESG issues into investment analysis and decision-making processes;
- Be active owners and incorporate ESG issues into our investment process and practices;
- Seek appropriate disclosure on ESG issues from the entities in which we invest;
- Promote acceptance and implementation of PRI within the investment industry;
- Work together to enhance our effectiveness in implementing PRI; and
- Report on our activities and progress towards implementing PRI.

