

Ethical Partners Funds Management Environmental Factors in Investments Policy

(1) Purpose of and objectives of this policy

- a) This policy confirms Ethical Partners' (EPFM) belief that a healthy environment is crucial for the well-being of society, people, business and the global economy. We further recognise that a healthy environment is a crucial right under the United Nations Declaration of Human Rights (UNHDR).
- b) It reflects our integral commitment to, and awareness at EPFM, of our responsibility for the stewardship of our funds under management, and the environmental footprint of our investments. It also confirms EPFM's fundamental belief that business and the investment community have a vital role in helping to address our global environmental challenges.
- c) EPFM also firmly believe that those companies who are conscious of ESG will perform better over the long term, and will be more adaptable, responsibly managed and resilient companies who will be able to both survive and thrive in a changing world.
- d) Expanding on this, this policy confirms our belief that environmental factors provide both risk and opportunity within investments, and that these risks are only accelerating over time. Therefore EPFM regard the management of environmental risk and opportunity as central to long term investment returns, value for shareholders, and our fiduciary duty to clients.
- e) We further recognize that EPFM ourselves have an impact on the environment through both our investments and also our own operations and confirm our commitment to continually seek to understand, mitigate, and address these risks.

(2) About Ethical Partners Funds Management (EPFM)

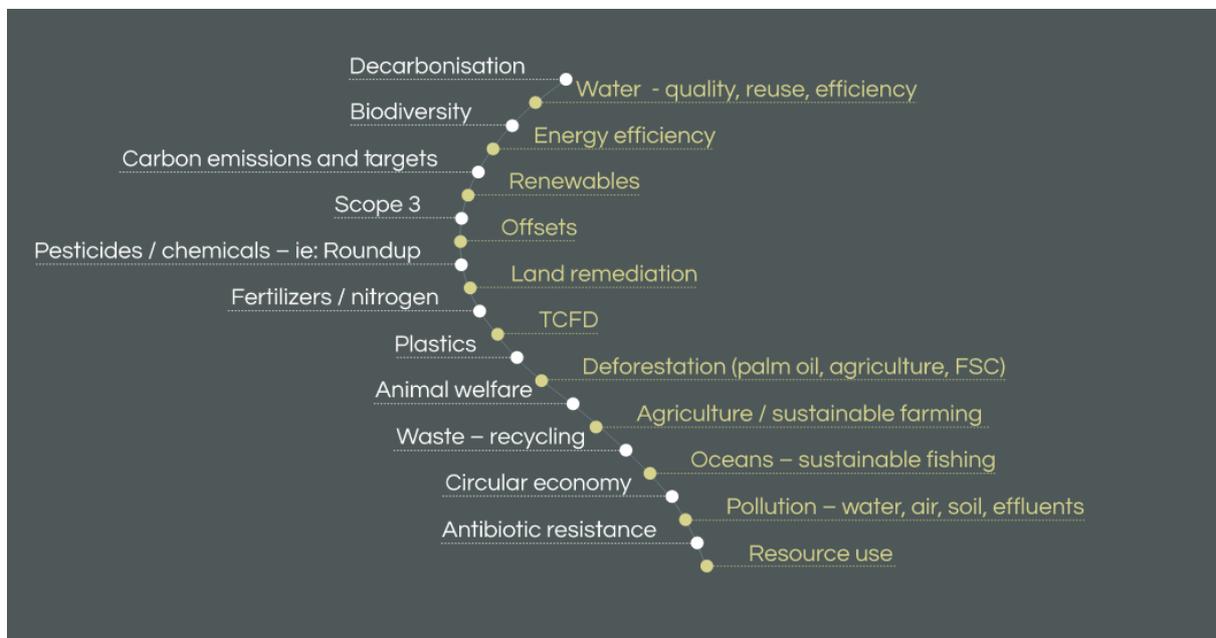
- a) EPFM is a boutique Australian Fund Manager that is fully owned by its staff and founders.
- b) EPFM has a dual focus on performance and investing ethically. Our approach directly manages risk and identifies opportunity for our clients, provides the ability to invest in line with our clients' values, and actively advocates for change.
- c) EPFM is a bottom up, long only stock picker that invests in Australian Equities. We pursue investment in companies that pass both our investment process screens, examining financial strength, cash flow metrics, shareholder structure and management and our proprietary Ethical Partners Operational Risk Assessment (EPORA) which assesses ESG and Responsible Investing considerations.

(3) Consideration of Environmental Factors in our investment process

- a) Our in-house proprietary investment process, the EPORA (Ethical Partners Operational Risk Assessment), considers environment as a core pillar of our screening process, as below.



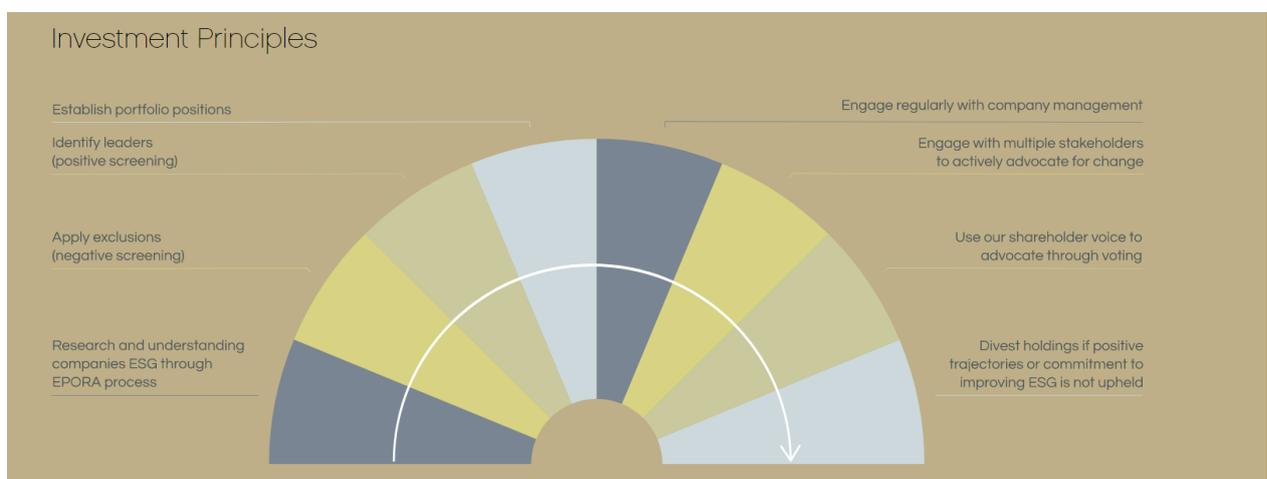
- b) The EPORA includes an assessment of Environmental Risks, covering multiple risks, such as GHG emissions, Scope 1,2,3, carbon emissions reduction targets and progress, TCFD and Scenario Testing, Water, Plastics, Waste and Circular Economy, Biodiversity risks and other issues as pertinent to the company and their supply chains. Examples (non-exhaustive) of pertinent issues are provided below and these issues are constantly updated and refined by company developments, new human rights themes and developments, controversies and improved transparency and disclosures.



- c) Please see our additional separate policy for more detail on EPFM's approach to climate change in our investments on our website.
- d) Environmental risk is also addressed through a negative screen for our pooled investment vehicle, which removes Fossil Fuels and Uranium from the investable universe. Mandate clients are able to tailor these negative screens to align with their values. However, all investments will be screened for environmental risk and opportunity.
- e) EPFM's investment analysis EPORA screen also considers the risk of increased environmental abuses in countries with poor transparency,

governance and oversight and a high level of corruption. This is considered through the use of the Transparency International Corruptions Perception Index, of which EPFM's EPORA screen will exclude the bottom third of this index from the investable universe.

- f) The investment process also applies a positive screen for opportunities presented by environmental factors. EPFM aim to invest in the leaders who are addressing and mitigating environmental risk, as identified by EPORA, as we believe these companies present both real potential for outperformance, resilience from risk to future business performance, and will be actively seeking innovation and opportunities for new market or product development, new technologies or business models, or increased consumer demand and reputational benefits. We also believe that by supporting these leaders EPFM can assist by providing supportive capital to business seeking innovative solutions to our environmental challenges.
- g) The investment process then involves the consideration of these environmental risks and opportunities in our stock valuations and portfolio construction on a case by case, by using a range of factors and techniques, as material and pertinent to the individual business.
- h) A summary of EPFM's Investment Approach can be seen in the below graphic



- i) EPFM has also committed to use the Sustainable Development Goals (SDGs) as a lens in which to examine investments and their impact in creating a better world as well as a framework for EPFM to guide investments and report against the contributions to the goals. EPFM therefore considers the relation of the environmental footprint and practices of our portfolio companies towards the attainment of the SDGs, particularly in relation to SDG 13 (climate change), SDG 15 (life on land) and SDG 14 (life below water), but furthermore how they address the environmental aspects of, benefits of or contributors to SDG 12 (responsible consumption and production), 11 (sustainable cities and communities), 10 (reduced inequalities), 9 (industry, innovation and infrastructure), 7 (affordable and clean energy), 8 (decent work and growth), 3 (good health and wellbeing), 6 (clean water and sanitation), 2 (zero hunger), 1 (no poverty), 16 (peace and justice and strong institutions), 17 (partnerships for the goals).

SUSTAINABLE DEVELOPMENT GOALS



- j) EPFM is also cognisant that human rights and environmental risk factors are often interrelated. As such, EPFM see that a healthy environment is in itself a human right, and additionally, that environmental impacts will also impact human rights in many settings. EPFM therefore considers environmental impacts and rights within a holistic and interrelated manner within our EPORA

assessment process, our engagements and our advocacy. For more information on how EPFM addresses human rights risk, please see our Human Rights Factors in Investment Policy on our website.

- k) EPFM is also cognisant that we must continually develop increasingly sophisticated strategies, as understanding and transparency increase, to make the portfolio more resilient to these risks, and therefore, we undertake extensive research, in-house training and analysis to continually refine our analysis and integration of environmental factors into our investments.

(4) Engagement with companies on Environmental Factors

- a) Engagement constitutes another crucial pillar of EPFM's investment process and management of environmental risk.
- b) Through our engagements, EPFM aim to encourage companies to undertake environmental risk management, adaption and mitigation activities, provide resourcing, capital and board attention to environmental concerns, and to look for opportunities in new products, new technologies, new partnerships, new business models, and to embrace both a position of leadership on environmental management, and collaborations with other companies and investors to address our global environmental challenges.
- c) Engagement is undertaken by each analyst, supported by our Sustainability team, the Investment Director and the CEO, and includes engagement with sustainability teams, risk management, investor relations, CEOs, and Boards.
- d) We expect to see companies responding positively to this engagement and being willing to discuss the relevant issues, address them, and continue their trajectories towards addressing environment. We also expect to see real progress, and a continued buy-in and commitment. We continually advocate publically for companies to improve their transparency and disclosure on environmental impacts.

- e) We continually review our engagement plans on new information, refine them, and deepen our engagement as better understanding, disclosures, regulations, scientific understanding and information come to light.

(5) Shareholder Voting

- a) EPFM believe that voting at a company's annual general meeting is an important way in which we can exercise our shareholder rights to influence and encourage our portfolio companies to better address their environmental risks and opportunities, and advocate for positive corporate change and impact.
- b) We also believe that Shareholder Voting is an important engagement tool, as these resolutions help drive our engagement discussions with companies on environmental issues.
- c) The Investment Director and the CEO, in conjunction with the Sustainability and Investment Team will consider each resolution and will vote on such considering the best interests of its clients. The Investment Director will consider the ethical screening process and corporate governance considerations in determining its voting intentions. EPFM will also consider generating resolutions on certain issues when it determines it is appropriate to do so.
- d) EPFM also commit to being transparent and publically disclosing our voting record on our website and on request.

(6) Advocacy and Collaboration

- a) EPFM chooses an active advocacy role in encouraging better corporate behaviour in regards to a company's impact on the environment. We undertake regular and extensive advocacy with the aim to influence the broader market and promote a shift towards a sustainable financial system. This can include a variety of activities including engagement with and

submissions to government, publishing research and industry wide campaigns.

- b) We see our engagement role to also include engaging with other investors to collaborate to create change, and as such are signatory to around 30 different signatory and collaborative initiatives, in which we actively participate.
- c) We also believe there is also a very important role for the investor voice in wider civil society and global issues. EPFM recognizes that through collaboration with other investors we can exert a greater influence and manage resources more effectively.
- d) We engage regularly with multiple NGO's, in order to support and share their advocacy, and with media where appropriate to help raise awareness of these issues.
- e) We also commit to be transparent about our advocacy activities, and report on these activities regularly on our website and in our client and public ESG reports.

(7) Accountability

- a) As per our Responsible Investment Policy, the Board and all internal roles have oversight and implementation responsibility for the integration of environmental factors within our approach to responsible investment.
- b) Our CEO and Investment Director have direct involvement in all ESG decisions and considerations. However, EPFM strongly believe that it is critical that ESG knowledge also sits with each Investment Analyst, in order for it to be integrated into every investment decision, and to strengthen our ability to engage on sustainability issues with every company interaction.
- c) This is facilitated by our Head of Sustainability and our Sustainability Analyst, who partner with and support the Investment Team in their sustainability

assessments, integrations and valuations, on a continuous basis, in order to support the integration of ESG at every step of the investment process.

(8) Transparency and Disclosure

- a) EPFM believe that if we are asking corporates to be accountable and transparent, we ourselves must hold ourselves to the same standards. As such, EPFM regularly report against our engagements, our EPORA analysis of the ASX 200, our voting record, our TCFD, and other reporting on the integration of environmental factors into our investments or our advocacy in this space as required.

Date of last review: April, 2021

Responsibility: Head of Sustainability

Approved by: CEO and Investment Director