

Ethical Partners Funds Management Stewardship Policy

(1) Purpose of and objectives of this policy

- a) The Stewardship Policy recognises that Ethical Partners Funds Management (EPFM) has an integral commitment to being good stewards of the companies we invest in and of our funds under management.
- b) EPFM recognises the responsibility of being a large shareholder and leveraging shareholder voice to call for change and more attention to ESG and governance concerns.
- c) It furthermore confirms our commitment to implementing the Principle for Responsible Investment's (PRI) Principle 2, which sets out signatories' commitment to stewardship, stating: "*We will be active owners and incorporate ESG issues into our ownership policies and practices*".
- d) EPFM also commits to the PRI definition of stewardship as "the use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend."
- e) This policy also confirms the alignment of this definition of stewardship with EPFM own values of Responsibility and Accountability.

OUR VALUES

Responsibility: We are responsible for our clients' money. We are responsible, where appropriate, for influencing the way companies conduct their businesses. The industry as a whole has a responsibility to do things better and have a positive influence on the environment, human rights and society. We want to play an important part in this.

Accountability: We are accountable for the decisions we make to all our stakeholders. We are accountable for our clients' money. We realise that there are consequences to the actions we take. We will stand by our decisions and what we believe in. We won't always be right but we will always be accountable.

The confidence to be different: We understand that our views on companies, the market and the way we invest may be different to a majority of others. We have the confidence in our process, our approach and our decisions. Sometimes the best decisions for the long term are the ones that aren't recognised at the time or require courage of their conviction in the short term.

(2) About EPFM:

- a) EPFM is an Australian equities fund manager that manages segregated investment mandates under Investment Management Agreements (IMAs) and also operates a managed investment scheme, called the Ethical Partners Australian Share Fund, in which investors' funds are invested in Australian-listed shares and derivatives. 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) Ethical Partners considers our stewardship responsibilities as investors to be two-fold:

- a) Traditional Financial Stewardship:
 - a. Making prudent investments in companies where we have made a professional assessment of management and board capability, cash flow generation, financial capacity and valuation.
 - b. Fulfilling our Fiduciary duties to our clients.
 - c. Conducting quality stock assessments, research and financial decisions in order to proactively manage risk and produce the best possible long term results for our clients.

- d. Adhering to our internal code of conduct as per our EPFM Handbook and relevant internal policies.
- e. Fulfilling all regulatory requirements as well as all obligations of our financial services licence (AFSL 504749).

b) ESG Stewardship:

- a. Making investments in companies that align with our Responsible Investment Policies (www.ethicalpartners.com.au). At EPFM we 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. This will assist in both protecting our clients' capital and positively impacting our society and the environment.

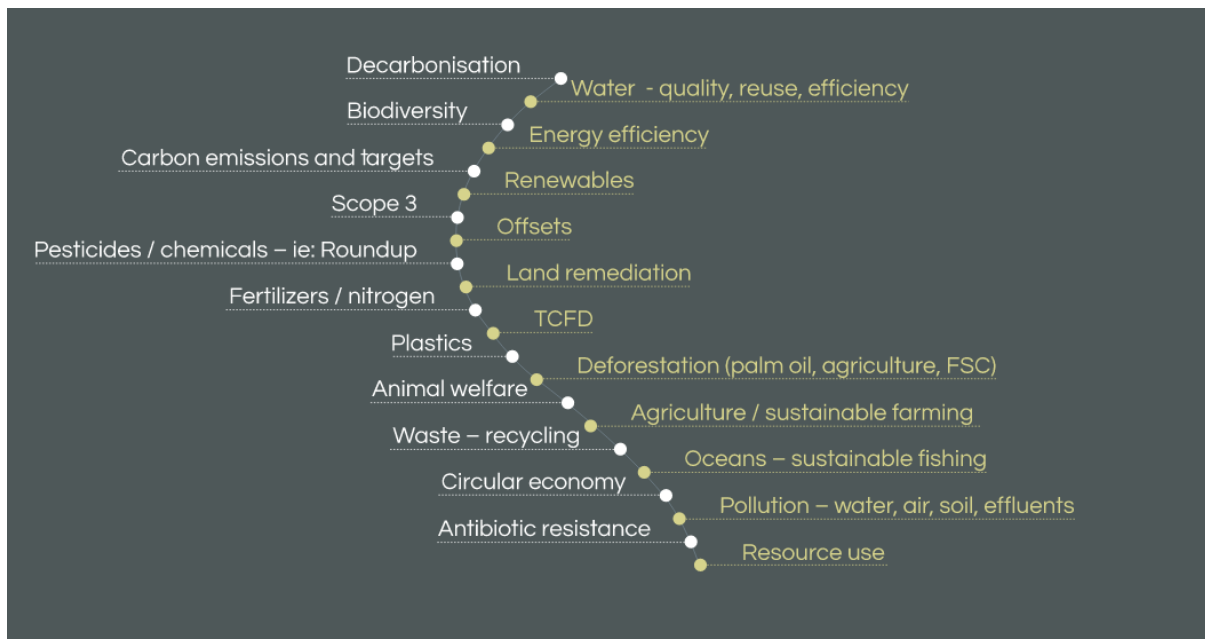
(4) Our Stewardship Policy is enacted in our investment screening and assessment through:

- a) Active management and a thorough and detailed financial screen as well as a thorough and detailed proprietary ESG screen, which includes:
 - a. A Negative Screen/Exclusions list which manages risk for our clients and avoids exposure to harmful industries. Our Pooled Investment vehicle screens out Alcohol, Gambling, Tobacco, Weapons, Uranium, Predatory Lending and Fossil Fuels. Our individual mandate clients are able to tailor their negative exclusion screens to align with their values.
 - b. A positive screen which identifies ESG leaders and opportunities.

- c. An assessment of Country/Place of business operations which screens for the risks of bribery, corruption, poor governance, poor oversight and heightened human rights, business and environmental risks. This screen uses the Transparency International Corruptions Perception Index and excludes companies with material operations in the bottom third of this list from our investment universe. We also refer to the Global Slavery Index in our analysis.
- d. An assessment of Human Rights Risks: Covering multiple human rights risks including Human Rights policies and practices, grievance mechanisms/whistle-blower policies, Modern Slavery Reporting, Major controversies, Children’s Rights, Living wage, a company’s response to Human Rights during the COVID pandemic, human capital and workforce management, and other human rights issues as pertinent to the company. 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.



- e. An assessment of Environmental Risks: Covering multiple environmental 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. 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.



- f. An assessment of ESG Governance risks: Covering multiple issues such as the inclusion of ESG metrics in KPI's and REM, gender and racial diversity, ESG transparency, disclosure and reporting, data/cybersecurity risks and management, alignment with SDG's,

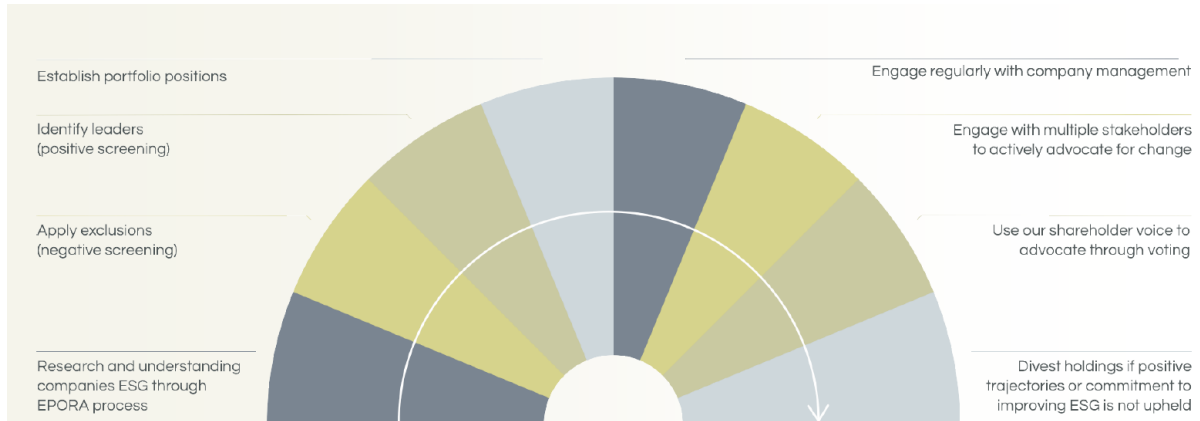
fair taxation practices, board training, understanding and attention to ESG issues, gender and racial diversity on Boards, ESG risk management and a company’s alignment with international guidelines such as the UN Global Compact, The Sustainable Development Goals, the OECD Guidelines for Multinational Enterprises, the United Nations Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and other relevant commitments and standards. 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.

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- g. This EPORA assessment then forms EPFM’s investable universe. A company must pass the EPORA to be considered for Investment. The EPORA assessment further informs the integration of ESG factors into Ethical Partners valuations and portfolio construction.

h. A summary of the integration of ESG in our investment process can be seen below:



(5) EPFM also believes that Engagement is a fundamental and crucial part of our stewardship responsibility and activities.

- a) We also believe that active ESG investment means that we engage meaningfully on ESG with each and every company, before we make an investment and throughout the time we hold the stock to leverage our shareholder voice to influence the source of change.
- b) EPFM seeks to influence the companies and assets in which it invests through direct company engagement with board, management, sustainability teams and other relevant departments, as well as through shareholder voting, and wider industry, sector and civil society engagements.
- c) The focus of the engagement process is building ongoing relationships that encourage progress on ESG and responsible business practices, ad hoc engagement on specific ESG matters or engagement based on ESG themes.

- d) Engagement is critically important to EPFM to help us further refine our investment decisions and provide important information for ESG analysis. This is because Ethical Partners believes that engagement helps us to understand a company's attitude to, attention to, resourcing of, understanding of and management of ESG risks and opportunities, which is then integrated into the investment analysis and valuations.
- e) Importantly, EPFM also believes that engagement provides us with a very privileged platform to advocate and call for corporate change at the management or board level where necessary. We believe that our genuine, deep and regular engagement is a vital tool to leverage our shareholder voice, something that we at EPFM regard as both a responsibility and a privilege to be able to use the capital we are entrusted with to call for superior governance, increased transparency, thoughtful and long term management decisions and where necessary corporate change and for companies to better address their impact on the planet and people. We believe this helps fulfil our fiduciary duty to our clients through more responsibly run companies ultimately delivering superior performance.
- f) The entire team engage with management teams of all our portfolio companies, as well as those in our wider investable universe.
- g) As part of our EPORA investment screening and due diligence processes, we formulate an engagement plan for every portfolio holding, to guide and prompt company engagements on improving on or addressing gaps in how a company may be addressing Human Rights, Governance and Environment, or how they could better impact the world, address risk or find opportunities. This plan is then updated on an ongoing basis as engagements unfold, events happen or opportunities arise.

(6) EPFM also believes that shareholder voting is a crucial part of our Stewardship responsibility and activities.

- a) EPFM believes 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 better corporate business practices among companies.
- b) We also believe that Shareholder Voting is an important engagement tool, as these resolutions help drive our engagement discussions with companies on ESG 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 our voting intentions.
- d) EPFM will also consider generating resolutions on certain issues when it determines it is appropriate to do so.
- e) EPFM also commits to being transparent and publically disclosing our voting record on our website and on request.

(7) EPFM also has an integral commitment to advocacy as part of our stewardship policies, commitments and responsibilities.

- a) EPFM chooses an active advocacy role in encouraging better corporate behavior. We undertake advocacy with the aim of influencing 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, commissioning and contributing to ESG research and industry wide campaigns.

- b) It also involves engaging with standards setters and policy makers, such as politicians, senior government officials, independent commissioners, legislators and media as appropriate.
 - c) 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.
 - d) 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 and as such commits to be part of the conversation and wider discourse around ESG issues.
 - e) We also commit to engage regularly with multiple NGO's, in order to support and share their advocacy.
- (8) Ethical Partners Stewardship Policy also reflects our belief that stewardship is the responsibility of all staff members.
- a) The traditional financial stewardship due diligence and ESG stewardship is the responsibility of all analysts through their stock coverage, overseen and supported by the Head of Sustainability and Sustainability Team, and overseen by the CEO and Investment Director. The CEO and Investment Director are also the Board Directors for EPFM and as such take ultimate responsibility for EPFM's stewardship practices.
 - b) EPFM's Stewardship Policy also includes a commitment to the transparency and disclosure of all our stewardship of activities. We believe if we are asking corporates to be accountable and transparent, we ourselves must hold ourselves to the same standards. As such EPFM

commits to disclosing our engagement and advocacy activities through regular and detailed public reporting such as:

- a. our annual Engagement Report, our bi-annual Standards report, and our yearly advocacy issues report, which are made available to clients and publically on our website
- b. Full disclosure of EPFM's shareholder voting;
- c. Regular and through client reporting on ESG stewardship;
- d. Regular public disclosure through our website and the media on stewardship activities.

(9) Ethical Partners Stewardship Policy also commits to regular due diligence on our stewardship activities. This includes:

- a) Yearly reporting to the Principles of Responsible Investment;
- b) Individual Client reporting on a regular basis on stewardship;
- c) Reporting to various asset consultants, client and financial advisory rating agencies on our stewardship activities.

Date of last review: May 2021

Responsibility: Head of Sustainability and Advocacy

Approved by: CEO and Investment Director