

Ethical Partners Funds Management Governance Factors in Investments Policy

(1) Purpose of and objectives of this policy

- a) This policy confirms Ethical Partners (EPFM's) belief that as responsible investors, we must be cognisant of, and both assess and actively engage on governance issues within our portfolio companies and in the Australian Listed Equities universe as a whole. This policy furthermore takes governance to mean both traditional governance metrics as perceived by shareholders, but also to mean companies' governance of their ESG issues and their corporate footprint.

- b) This policy also reflects our integral commitment to, and awareness at EPFM, of our responsibility for the stewardship of our funds under management, and of the impacts of how our portfolio companies are governed. It also confirms EPFM's fundamental belief that business and the investment community have a vital role in helping to address our global challenges through how they conduct their operations.

- 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 governance factors provide both risk and opportunity within investments, and that these risks are only accelerating over time. Therefore EPFM regard a company's governance, both of their corporate operations and of their ESG risks and opportunities as central to

long term investment returns, value for shareholders, and our fiduciary duty to clients.

(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 Governance factors in our investment process

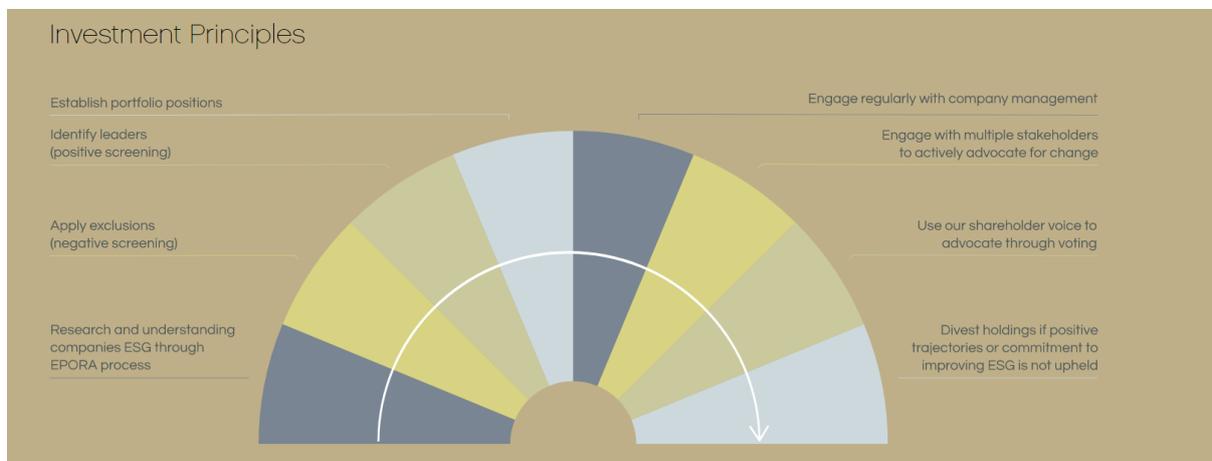
- a) Our in-house proprietary investment process, the EPORA (Ethical Partners Operational Risk Assessment), considers governance within all of the core pillars and in multiple areas of our screening process.



- b) Governance is assessed our investment process through our analysis of a company's board structure, remuneration, resolutions and AGM voting, transactions, strategic acquisitions, capital raisings, shareholder reporting and disclosures, capital returns and raising, related party transactions and other general corporate governance issues. We also consider governance in the context of good financial stewardship within our financial screening process.
- c) The EPORA screen also considers governance risk in countries with poor transparency, governance and oversight and a high level of corruption 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.
- d) Governance is also considered with how a company manages and mitigates their risks and maximises their opportunities in the areas of Human Rights and Social Risks and Environmental Risk. Please see our Human Rights and Social Factors in Investment policy and our Environmental Factors in Investment Policy for more information on how EPFM assesses, screens and engages on the governance of these factors.
- e) EPFM's investment process also applies a positive screen for opportunities presented by the companies that we assess as leading in their corporate and ESG governance. We aim to invest in these governance leaders, as identified by EPORA, as we believe these companies present both real potential for outperformance and resilience from risk to future business performance, better shareholder and social support, employee satisfaction and loyalty, improved business understanding and practices, and reputational benefits. We also believe that by supporting these leaders EPFM can assist by providing supportive capital to business who are leading in seeking solutions to our global challenges.

f) EPFM's investment process then involves the consideration of governance 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.

g) A summary of EPFM's Investment Process can be seen in the graphic below.



h) 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 governance practices of our portfolio companies towards the attainment of the SDGs. We believe that all the 17 SDG's are affected by a company's governance of their operations and their ESG footprint, and are we therefore consider the governance of each relevant SDG in our analysis and engagements.

SUSTAINABLE DEVELOPMENT GOALS



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

(4) Engagement with companies on Governance Factors

- a) Engagement constitutes another crucial pillar of EPFM's investment process and management governance risk and opportunity.
- b) Through our engagements, EPFM aim to encourage companies to better address their governance practices, risks and opportunities, both as specific issues arise, but also in terms of an ever-improving standard of governance and a better understanding of the importance of good governance to their stakeholders, shareholder, society, the planet, and their future profitability.
- 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 to meaningfully continue their trajectories towards addressing governance issues. We expect to see real progress, and a continued buy-in and commitment. We also commit to continuously advocate publically for corporates to better address their governance of their own operations and their ESG footprint.
- e) We continually review our engagement plans on new information, refine them, and deepen our engagement as better understanding, disclosures, regulations, issues and information comes to light.

(5) Shareholder Voting

- a) EPFM believe that voting at a company's annual general meeting is an important way in which EPFM can exercise its shareholder rights to influence and encourage our portfolio companies to better address their governance risks and opportunities, and to 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 the importance of good governance.
- 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) Ethical Partners also commits 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 governance practices. 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 human rights factors within our approach to responsible investment.
- b) Our CEO and Investment Director have direct involvement in all responsible investment decisions and considerations. However, EPFM strongly believe

that it is critical that this 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 these 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 governance and ESG considerations 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, Ethical Partners regularly reports against our engagements, our EPORA analysis of the ASX 200, our voting record, our own internal governance mechanisms, and other reporting on the integration of governance 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