

## **Responsible Investment Policy**

1. Purpose and objectives of the policy: The Responsible Investment Policy recognises that Ethical Partners Funds Management (EPFM) has an integral commitment to investing in a responsible, ethical and sustainable manner.
  - a) It confirms that Ethical Partners commits to investing responsibly and thoughtfully, through an approach that assesses our portfolio for ESG risks and opportunities, invests in line with values and actively advocates for change through a continuous and thorough engagement process.
  - b) It furthermore commits that Ethical Partners is cognisant of the impact and footprint of our portfolio on the world and aims to invest in a way that can positively impact the global community.
  - c) It also confirms our recognition that the long term prosperity of the economy and the wellbeing of the public depends on a healthy environment, social cohesion and good governance of EPFM and the companies in which it invests.
  - d) This Policy also sets down the responsible investment principles by which EPFM will be managed, and the requirements for all investments made by EPFM.
  
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.

#### 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.

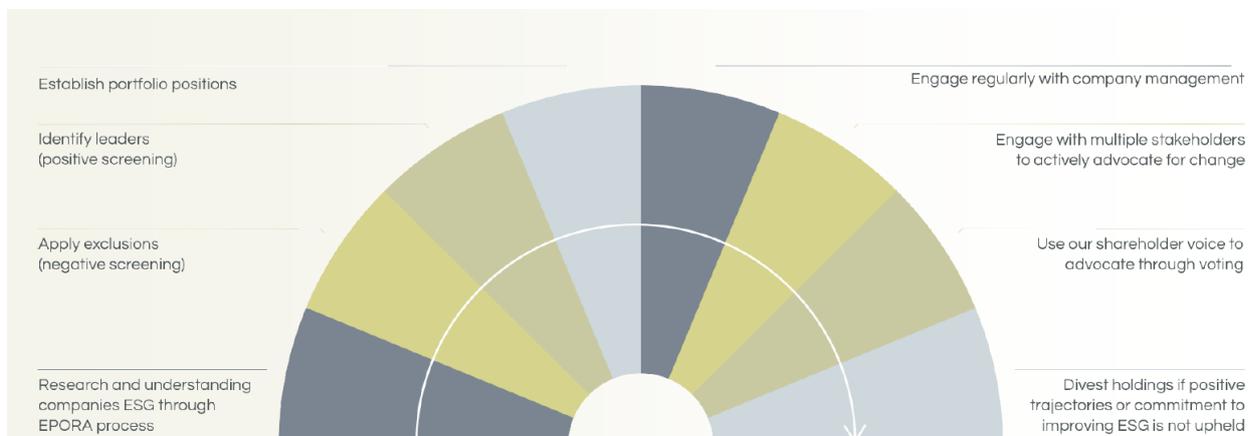
### 3. Accountability

- a) The board and all internal roles have oversight and implementation responsibility for Responsible Investment.
- b) Our CEO and Investment Director have direct involvement in all ESG decisions and considerations.
- c) Ethical Partners 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.
- d) 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.

### 4. ESG and Responsible Investing at EPFM

- a) Ethical Partners sees that ESG factors are fundamental to assessing both a company's business risks and opportunities and view ESG as a core pillar to our Investment Process. We believe that businesses that take seriously how they treat people and the environment will ultimately do better than those companies that don't. We furthermore believe that the benefits of businesses behaving with more thoughtfulness and care for people and the environment will be enjoyed by society, their people, their environment, as well as their shareholders.
- b) Our proprietary EPORA investment process means that all companies must pass all areas of the investment process, which includes a thorough assessment of:

- a. whether a company's product is harmful, at which point we apply a negative screen and remove the company from our investable universe. Exclusions include alcohol, uranium, gambling, weapons, tobacco, fossil fuels, predatory lending, coal seam gas;
  - b. the company's place of operation (country risk) using the Transparency International Corruptions perceptions index;
  - c. their impact on the planet, assessing multiple pertinent, material and relevant issues and themes;
  - d. their impact on people, assessing multiple pertinent, material and relevant issues and themes.
- c) Companies must pass this EPORA screen, as well as our traditional financial investment screens, including financial strength, strong operating cashflow, shareholder structure and good management and governance practices to be considered for investment.
- d) As informed by this EPORA assessment, Ethical Partners endeavors to:
- a. buy the leaders where valuation is reasonable and fundamentals are sound;
  - b. Ethical Partners will also buy and engage strongly with the "middle" (the 80% of ASX companies) on ESG, as we believe this holds the potential for large scale change across the market, and towards achieving global goals and address the challenges facing the world;
  - c. Ethical Partners will however divestment from a portfolio stock when we see increased risks or lack of true progress and evidence of change.
- e) EPFM Investment Principles:



- f) We determine a company's materiality of ESG issues on a stock by stock basis, through our EPORA analysis, by looking at several measures (in equal weighting):
    - a. where the biggest risks to the company's operations, reputation, earnings and future viability lie;
    - b. where the biggest opportunities for the company lie - both from a shareholder perspective and from a corporate impact point of view;
    - c. by considering what the company's biggest impacts on people and planet are, positive and negative, and how these could most materially be mitigated or improved.
  
  - g) This EPORA is informed by Ethical Partners proprietary in-house research by the entire team, using over 600 different diverse data sources as well as the invaluable knowledge gained by engaging with the company. Our analysts use information from traditional sources such as annual reports, financial statements, sustainability reports, company human rights and environmental policies, as well as from our over 300 company meetings and engagements a year.
  
  - h) Ethical Partners also actively seeks and utilises the expertise of NGO's, Civil society groups and other appropriate human rights, governance or environmental experts, as we believe these give us a unique insight into business operations, potential opportunities for growth and threats to future revenues.
5. Active investor approach
- a) EPFM takes large portfolio positions that are different to the market index, where we can identify opportunities.
  
  - b) We also believe that active ESG investment means that we engage meaningfully on ESG with each and every company, before we make an investment, throughout the time we hold the stock to leverage our shareholder voice to influence the source of change.
  
  - c) 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.
  
  - d) 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.

#### 6. Engagement Principles

- a) Engagement is critically important to EPFM to help us further refine our investment decisions and provide important information for ESG analysis.
- b) 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.
- c) Ethical Partners also believes that engagement provides us with a very privileged platform to advocate and call for corporate change at the management or board level. 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 as investors, to call for corporate change and for companies to better address their impact on the planet and people.
- d) The entire team engage with management teams of all our portfolio companies, as well as those in our wider investable universe.
- e) 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.

#### 7. The Sustainable Development Goals (SDGs)

- a) The SDGs and targets focus on ending poverty, protecting the planet, and ensuring prosperity for all. EPFM uses the SDGs as a lens in which to examine investments and their impact in creating a better world. The SDGs have been adopted by Ethical Partners as both a framework for EPFM to guide investments and report against the contributions to the goals.

#### 8. Proxy Voting

- a) Ethical Partners believes 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 better corporate business practices among its 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 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.

9. Advocacy and Collaboration

- a) EPFM chooses an active advocacy role in encouraging better corporate behavior. We undertake 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.

#### 10. Principles for Responsible Investment

- a) EPFM articulates these beliefs through its adoption of the PRI. This framework guides the Fund's implementation of responsible investment. The PRI is a set of six voluntary and aspirational principles for incorporating ESG and the Sustainable Development Goals into investment processes.
- b) As such, the principles which Ethical Partners commits to are:
  - a. we will incorporate ESG issues into investment analysis and decision-making processes;
  - b. we will be active owners and incorporate ESG issues into our ownership policies and practices;
  - c. we will seek appropriate disclosure on ESG issues by the entities in which we invest;
  - d. we will promote acceptance and implementation of the Principles within the investment industry;
  - e. we will work together to enhance our effectiveness in implementing the Principles; and
  - f. we will each report on our activities and progress towards implementing the Principles.

#### 11. Ethical Partners' own Sustainability, Transparency and Disclosure:

- a) Ethical Partners believes that if we are asking corporates to be accountable and transparent, we ourselves must hold ourselves to the same standards.
- b) As such, Ethical Partners regularly reports against our Engagements, our EPORA analysis of the ASX 200, our voluntary Modern Slavery reporting, our voting record, our TCFD, and other reporting as required.

Date of last review: April, 2021  
Responsibility: Head of Sustainability and Advocacy  
Approved by: CEO and Investment Director

