



ESG POLICY

Introduction

Selector Funds Management Limited (*'SFML'*) acknowledges that integrating ESG criteria into investment decision making is an evolving area due to regulatory uncertainty in areas such as climate change. Further to this, analytical tools to measure the relevant material risks are still under development.

However, while research in the area of measuring the financial impact of ESG practices is ongoing, SFML believe that ESG issues affect the performance of investments, to varying degrees, across companies, sectors, regions and asset classes, over time.

We believe that companies that perform better with regard to managing ESG issues can increase shareholder value by, for example, driving cultural behaviours that include, properly managing risks, anticipating regulatory action or accessing new markets, while at the same time contributing to the sustainable development of the societies in which they operate. Conversely, companies that are unwilling or unable to sufficiently support an internal culture that can take appropriate ESG issues into consideration, will deliver diminished investment value over the longer term.

As such SFML considers ESG risks in its stock selection processes across all equity investments in order to protect and manage the interests of our clients over the long-term.

Defining ESG through the ESG Roadmap

SFML defines ESG as the investment decision making process that considers the environmental, social and governance risks associated with the companies in which we invest, and we employ strategies to evaluate their impact within the context of our qualitative (cultural) and quantitative (financial) evaluation of a business.

ESG investing is distinguished from ethical investing which may include restricting investing according to ethical criteria (e.g. selecting, divesting/excluding investments purely on ethical or social grounds).

The ESG Roadmap is a newly developed tool which defines ESG issues that may impact companies and applies a score of 1 or 0 for each area under consideration.



| Consideration | | | |
|---------------|--------------------------|---------------------------|-------------------------|
| Environment | Climate Targets | Renewable targets | Progress against target |
| Social | Human Capital Management | Community (including MS*) | Best Interests |
| Governance | Board effectiveness | Shareholder interests | Risk & Litigation |

Roadmap scorecard

9 filters applied to each portfolio business

*Modern Slavery (MS)

Our Goal

SFML believes it is appropriate to consider the impact of material ESG risks on the long-term performance of its investments (where practicable). SFML’s aim is to:

1. Be aware of and monitor (where appropriate) the key ESG issues in the context of equity investments. Our roadmap is designed to highlight improving or declining trends over time.
2. Make full use of the rights of ownership in order to exert influence on a company’s policies, for example through actively exercising votes at company meetings.
3. Encourage the disclosure by companies of ESG and sustainability issues.

ESG Implementation & Initiatives

SFML Roadmap

The SFML Roadmap ensures ESG is under consideration on each occasion a business is assessed by the portfolio managers and investment team. Management, culture and ESG are key areas of review.

This process dovetails with our consistent program of company meetings and site visits both domestically and globally and aims to provide the portfolio managers with a common-sense framework designed to identify ESG risk.



The Roadmap score (1 or 0 for each segment) is a combination of qualitative observations generated from management meetings over time, and quantitative outcomes from the modelling process (Income statement, Balance sheet, Cash flow statement).

| Qualitative | | | Quantitative | | |
|-----------------------------|----------------------------------|------------------------------------|------------------------------|-------------------------------|--------------------|
| Management Qualities | Owner Qualities | Focus | Growth | Business Franchise | Balance Sheet |
| Individuals we can trust | Material equity holding | Business point of difference | Reinvesting in business R&D | Financial Metrics Working Cap | Low debt levels |
| Organic business focus | Common bond ordinary shareholder | Core Business | Capacity to grow EPS organic | Pricing Power within industry | Simple structure |
| Clear articulation strategy | Track record Inc ESG | Not react to share market pressure | Free cash flow | ROCE | Maintenance Cap Ex |

Roadmap scorecard
 18 filter Quantitative and Qualitative score card applied to each business
 Minimum score of 10 / 18 sort for portfolio inclusion

ESG Matrix & Remuneration Review

The ESG Matrix and remuneration review are newer tools that have been developed to provide a consistent and repeatable framework for ESG review. Both tools were developed in-house without external consultation to ensure the approach generates meaningful insights that add value to the portfolio managers and investment team rather than to simply meet external reporting requirements.

a) ESG Matrix

This is a process under development and review. The ESG Matrix is a system that was designed to assist the team visualise and discuss potential ESG risks across the portfolio by assessing and scoring each issue within the ESG Roadmap.

The purpose of ESG Matrix is to identify changes to risk profiles over time to current and emerging risks. This is done by implementing a common sense, rating-based approach which enables the team to identify changes (red flags) or trends in the risk profile over time.

b) Remuneration Review

A simple process to record and compare remuneration policies has been established and is currently under further development.

Voting Policy

SFML's voting process has been upgraded and systematised to incorporate digital distribution of AGM notices, resolutions, and reporting documents. This process is now cloud-based rather than a manual paper-based process.



The upgraded process enables all resolutions and supporting documents including the annual report to be reviewed, commented on and voted on by both portfolio managers and members of the investment team. This can be undertaken from any mobile device from any location



Voting Policy

Introduction

Selector adheres to a consistent voting policy based upon our investment philosophy. The following items relate to voting policies on significant items:

Voting for Directors

Selector employs a qualitative approach to voting about the board of directors. Selector's votes will be awarded at the discretion of the portfolio managers. Such votes will be based upon the achievement of strategic goals, responsible conduct, and individual attributes of directors.

Voting on Remuneration

Selector employs both quantitative and qualitative methods in evaluating the worthiness of management in receiving remuneration. These metrics include:

- Reasonable STI & LTI remuneration structures that are in line with key performance indicators previously outlined by a company. Base pay is also given consideration.
- Growth in financial or strategic measures. Such examples may include high EPS, high ROCE or the achievement of long-term strategic goals.
- Adherence to Selector's investment philosophy.
- Adherence to Selector's ESG policy.
- Responsible conduct of Management.

Voting Procedure

Upon notification of a vote, analysts prepare the necessary information into a report format. This is then distributed to the portfolio managers digitally, whereby the respective decisions are made based upon the above information. The actions are then recorded and archived, before the votes are lodged via an online proxy portal.