

ausbil

Ausbil Investment Management Limited

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Environment, Social and Governance Investment Policy

ABN 26 076 316 473
AFSL 229722

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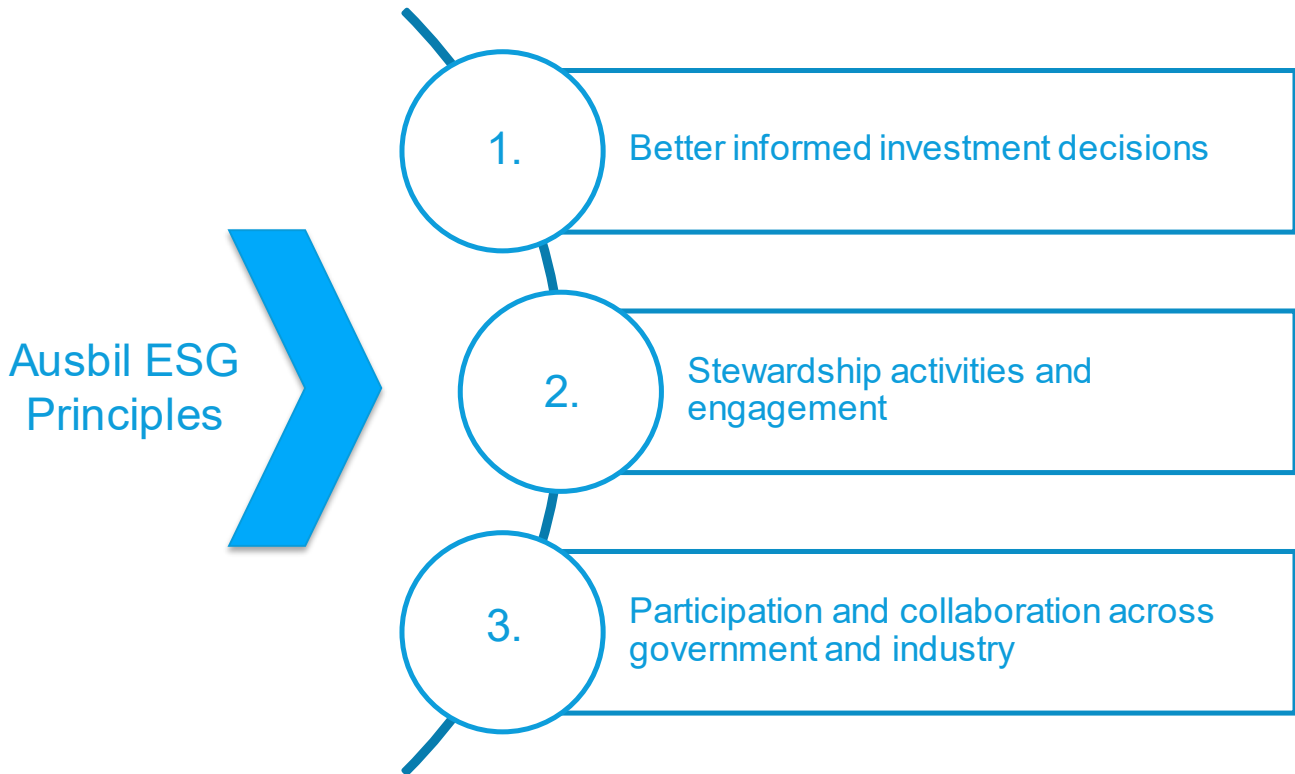
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1. The Policy's purpose and Scope

- This policy sets out Ausbil's environmental, social (including labour standards) and corporate governance (**ESG**) principles, capabilities and resources and approaches.
- This policy applies to all Ausbil's investment processes that support domestic and global equity strategies managed by Ausbil.
- Examples of the scope of ESG-related issues that might be considered as part of Ausbil's investment processes and in Ausbil's assessment of companies and industries include (but are not limited to):

<u>E</u>nvironmental	<ul style="list-style-type: none">• Climate change.• Environmental risk management systems, standards and certification.• Process safety.• Circular economy and resource efficiency.• Biodiversity.
<u>S</u>ocial	<ul style="list-style-type: none">• Modern Slavery and Human rights.• Cultural heritage management.• Workplace management and human capital development, diversity and culture.• Occupational health and safety systems, standards, certification and reporting.• Privacy, data and cyber security.
<u>G</u>overnance	<ul style="list-style-type: none">• Board and management quality, skills and structure, including diversity.• Executive remuneration and alignment with shareholders• Equal treatment of shareholders.• Transparency and integrity of financial statements.• Sustainability reporting and transparency on ESG risk management.

2. ESG Principles



Better informed investment decisions

- Ausbil acknowledges that ESG considerations within its investment processes may lead to better informed investment decisions by:
 - helping to identify mispriced securities in an active investment approach;
 - providing a more holistic assessment of companies' earnings sustainability;
 - driving long-term value; and
 - reducing the risk of value destruction.

Stewardship activities and engagement

- Ausbil acknowledges that stewardship activities and engagement on ESG considerations with industries and companies, either directly or in collaboration, may help to:
 - uncover risks and opportunities;
 - influence change; and
 - increase awareness of key ESG issues, such as modern slavery and climate change. This is particularly important for risks that are systemic and hidden deep in supply chains that are hard to diversify away or avoid through investment decisions.

Participation and collaboration across government and industry

- Ausbil acknowledges that participation and collaboration across government and industry on ESG-related topics is critical, and Ausbil's current commitment to this is demonstrated by the following activities:
 - **Principles for Responsible Investment:** Ausbil is a signatory to the Principles for Responsible Investment (PRI). PRI signatories are committed to the principles of responsible investing including considering ESG factors in their investment decision-making and ownership practices.
 - **Responsible Investment Association Australasia:** Ausbil is a member of the Responsible Investment Association Australasia (RIAA). Måns Carlsson OAM (Ausbil's Head of ESG) is a current member of the RIAA Board, Chairs RIAA's Human Rights Working Group and has co-authored some of RIAA's investor toolkit.
 - **Investor Group on Climate Change Australia and New Zealand (IGCC):** Ausbil is a member of the Investor Group on Climate Change Australia and New Zealand (IGCC). Mark Knight (Ausbil's Chief Executive Officer) is a current member of the IGCC Board. The IGCC is one of five investor networks to the Climate Action 100+ organisation.
 - **Investors Against Slavery and Trafficking Asia-Pacific:** Ausbil is a member of the Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC) organisation and Ausbil is a member of the organisation's Steering Committee, which oversees its management and Måns Carlsson OAM currently co-chairs IAST-APAC's workstream 1, which focuses on policy advocacy.
 - **Climate Action 100+:** Ausbil has been a member of Climate Action 100+ since inception where it has been a support investor in many company engagements.
 - **Investor Alliance for Human Rights:** Ausbil is a member of the Investor Alliance for Human Rights, which is a collective action platform for responsible investment focusing on the investor responsibility to respect human rights, corporate engagements that drive responsible business conduct, and standard-setting activities that push for robust business and human rights policies.
 - **Plastic Solutions Investor Alliance:** Ausbil is a signatory to the Plastic Solutions Investor Alliance (PSIA), which aims to have a positive impact on many publicly traded companies in relation to the threat posed by plastic pollution.
 - **Ethical AI:** Ausbil is a member of the Ethical AI initiative which focuses on responsible application of artificial intelligence.
 - **The Modern Slavery Expert Advisory Group (2020-2022):** Ausbil has participated in The Modern Slavery Expert Advisory Group (2020-2022), which the Australian Government established to provide expert advice on the operation of the Australian Modern Slavery Act.

3. ESG capabilities and resources

Investment teams

- **Ausbil's investment teams** are responsible for top-down macroeconomic, sectoral analyses and bottom-up fundamental company research and ESG considerations for domestic and global equity investment strategies.
 - The teams' approach to investing is founded in the beliefs that share prices are driven by earnings and earnings revisions, that markets are efficient but not perfect, and these market imperfections offer the opportunity for outperformance through active management.
 - Ausbil acknowledges that ESG considerations within its investment processes may lead to better informed investment decisions.
 - The teams' also contribute to ESG research, developing it from internal sources, eg the analysts own research or working closely with Ausbil's dedicated in-house ESG team, and/or external sources, eg external ESG research by third parties.

Dedicated in-house ESG team

- **Ausbil's dedicated in-house ESG team** are an integral part of Ausbil's investment team and investment approach.
 - The team conducts and supports in-depth ESG research, company engagement and stewardship activities on Australian equities including advocating on ESG-related topics. In addition, the team facilitates knowledge sharing with the broader investment team to ensure, where practicable, a consistent approach or framework across all of Ausbil's investment strategies.
 - The team also leads Ausbil's participation in Australian government and industry ESG-related groups and thought leadership activities, including the following:
 - **Climate Policy:** Ausbil supports the Paris Agreement and climate disclosure frameworks. The team has developed a proprietary climate model to assess risks and opportunities presented by climate change, which supports Ausbil's investment decisions, engagement activities and government and industry collaboration.
 - **Modern Slavery and Human Rights:** Ausbil believes modern slavery and human rights is a key ESG engagement theme and a risk that is hard to diversify away or avoid in portfolio construction due to the systemic and hidden nature deep in supply chains. The team has developed a proprietary risk tool that drives engagement activity. Ausbil is an active participant and industry leader in the development of modern slavery and human rights awareness and policy.

Access to external ESG research

- **Ausbil's access to external ESG research**, through subscriptions to best-in-class global research data, is a critical input into Ausbil's global equity investment strategies' ESG approach and supplements Ausbil's dedicated in-house ESG team's research.
- **Ausbil has affiliations with global investment managers** such as Candriam, who has been a pioneer and leader in sustainable investments in Europe since 1996. Ausbil provides Candriam with investment advisory services for several equity strategies that are distributed in Europe, which requires knowledge of, and in some cases, compliance with European ESG regulations such as Sustainable Finance Disclosures Regulation (**SFDR**). As a result, Ausbil receives first-hand exposure to ESG requirements, developments and trends that are evident in European jurisdictions.

Government and industry groups

- **Ausbil's broad participation in government and industry groups** gives Ausbil the opportunity to lead, collaborate and evolve in relation to ESG considerations, depending on the activity. Ultimately, this participation provides Ausbil with the opportunity to develop higher quality research, drive better outcomes and broaden Ausbil's sphere of influence beyond its direct company ownership.

4. Approaches to ESG

Integration

Ausbil is committed to the principles of responsible investing, including the integration of ESG in its investment decision-making and ownership practices. Ausbil includes an assessment of ESG factors in its investment processes across its investment strategies, which may lead to better informed decisions and, ultimately to the positive financial performance of an investment.

Ausbil believes companies that proactively and successfully manage their key ESG issues are likely to achieve higher valuations as they demonstrate improved sustainability in earnings, and growth in their businesses. By contrast, companies that do not identify and successfully address ESG issues may be subject to higher unassessed risks and, potentially, lower valuation and ultimately a deterioration in earnings.

Ausbil actively exercises its voting rights and engagement with companies, whilst monitoring ESG behaviour. Ausbil believes this helps fulfil its fiduciary duties to investors, and helps companies improve their environmental, social and governance practices, impact and record.

Ausbil's four-stage investment process and its ongoing portfolio review incorporates ESG to various levels of depth, culminating in the deepest ESG application at Stage 3 - Security Selection. For example:

Stage 1 - Macroeconomic Analysis focuses on macroeconomic and market analysis. This involves assessment of the market conditions impacting the global markets to determine the macroeconomic framework and to inform portfolio strategy. Ausbil takes ESG considerations into account at the macro level, and at the country level for ESG characteristics and regulation, and global regulatory developments.

Stage 2 - Sector/Region Analysis involves sectoral and regional analysis, regional being an addition for our global strategies. This stage includes a focus on the early identification of sectors subject to earnings revisions—upward and downward—over the coming 12 months. ESG features in sectoral ESG considerations which help inform how security selection is undertaken at Stage 3 – Security Selection.

Stage 3 - Security Selection focuses on security selection where we identify the securities we believe will achieve the greatest outperformance within the investment universe. Appreciating that earnings and earnings revisions lead security prices, the primary objective is to investigate and assess all facets impacting on each company's earnings profile. At this stage, we undertake deep fundamental research, stock specific ESG research, sustainable earnings analysis, analysis of management quality, company visitation, and detailed company valuation. For Ausbil's Active Sustainable Equity, Global SmallCap and Global Essential Infrastructure strategies, Ausbil's ESG approach includes refining the investible universe by applying a negative screen. Please see "Negative company screening (controversial activity exclusion)", below for further information.

Stage 4 - Portfolio Construction involves constructing a portfolio with the input from the previous stages and the ongoing portfolio review. In doing so, Ausbil considers an assessment of ESG factors in its investment decisions, to the extent we believe they are relevant to the positive financial performance of the investment.

For Ausbil's Active Sustainable Equity and Global Essential Infrastructure strategies, Ausbil's ESG approach includes the construction of a portfolio by applying positive screens relating to good sustainability profiles. Please see "Positive screening", below for further information.

In addition to the integration of ESG, Ausbil's investment process may apply the following approaches, depending on the relevant investment strategy.

- **Negative screening**

- excludes a company because of an ESG factor, ie it engages in activities that a fund or institutional client, through an investment advisory arrangement, has a predetermined view on it (controversial activity exclusion), for example Ausbil's Global SmallCap strategy, Ausbil's Global Essential Infrastructure strategy.
- excludes a company because it has a poor sustainability profile, as determined by Ausbil, for example Ausbil's Sustainable Equity strategy.

- **Positive screening**

- include a minimum number of companies with good sustainability profiles or a minimum proportion of companies that are rated highly on ESG issues, as determined by Ausbil, for example Ausbil's Sustainable Equity strategy.

Negative company screening (controversial activity exclusion)

Ausbil has the ability to apply **negative company screening or company exclusion approaches** for certain Ausbil investment strategies, based on a predetermined view on ESG factors.

In practice, any predetermined views or controversial activity exclusions are disclosed in the offer document or agreed between Ausbil and an institutional client.

Examples of these approaches are:

- A company might be excluded due to its exposure to controversial activities, such as involvement in the production/distribution of tobacco, weapons and armaments (eg anti-personnel landmines, chemical weapons etc), fossil fuels, alcohol, gambling, adult entertainment, uranium, animal cruelty, old growth forest logging, predatory lending and human rights violations.
- A company might be excluded because of Ausbil's view that there is significant downside risk to a company's earnings or a company has a poor sustainability profile, as a result of Ausbil's consideration of ESG factors. There are many factors that might contribute to Ausbil's view, but examples include companies with poor employee safety and/or workplace practices and companies that Ausbil considers having significant, persistent and unresolved corporate governance issues, conflicts of interest in ownership and/or poor Board structures.
- A specific company might be excluded at the direction of the institutional client, through an investment advisory arrangement, for example where the related party or its parent company is listed on a stock exchange.

Positive company screening

Ausbil has the ability to apply **positive company screening** for certain investment strategies. In practice, any inclusion approaches are documented in an offer document or the inclusion parameters would be agreed between Ausbil and an institutional client.

An example of an inclusion approach is:

- An investment strategy requires a portfolio to hold a minimum number or proportion of companies with sustainability profiles above certain thresholds, because of Ausbil's consideration of ESG factors. Often this approach requires scoring and/or ranking to ensure objectives can be clearly achieved or exceeded.

5. Stewardship, engagement & proxy voting

The PRI defines 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”.

Corporate Governance Guiding Principles

Ausbil’s approach to corporate governance in relation to this policy is founded in the following core principles, which ensures the basic rights of shareholders, including the right to:

- trade shares;
- participate and vote in general meetings;
- elect members of the Board;
- share equitably in the distributable profits of the company;
- elect the auditors;
- vote on proposals to amend the company’s constitution, increase share capital or change the capital structure of the company; and/or
- vote on extraordinary transactions that affect the mission, business model and capital structure of the company.

Ensuring the equal treatment of shareholders of the same class, including:

- voting rights; and
- the processes and procedures for general meetings of shareholders, including companies not making it difficult or expensive to cast votes.

Maintaining standards of accountability for the Board

Board members should act on a fully informed basis and in the interests of all shareholders. The accountability and structure of the Board of Directors influences the way in which a company is directed and controlled, and necessarily requires a sufficient proportion of appointed independent Directors to the Board to maintain genuine accountability.

Ensuring transparency and integrity in financial statements

Accurate and transparent financial information is fundamental to the operation of efficient capital markets. Disclosure of information regarding a company’s financial situation and performance, ownership and governance should be timely, accurate, transparent, compliant with local and global accounting and reporting standards, audited, and compliant with the listing and legislative rules in its relevant jurisdictions. An annual audit should be performed by an independent auditor for the benefit of all shareholders.

Active engagement with companies

The aim of active engagement is to raise the awareness of companies and to receive additional information from companies on specific topics, to encourage them to adopt industry best practice and adopt transparency on ESG issues.

The active engagement takes the form of a direct and individual dialogue between Ausbil and companies (eg the board, management, sustainable/ESG department etc) and stakeholders (eg industry bodies) through meetings, company visits, written exchanges etc.

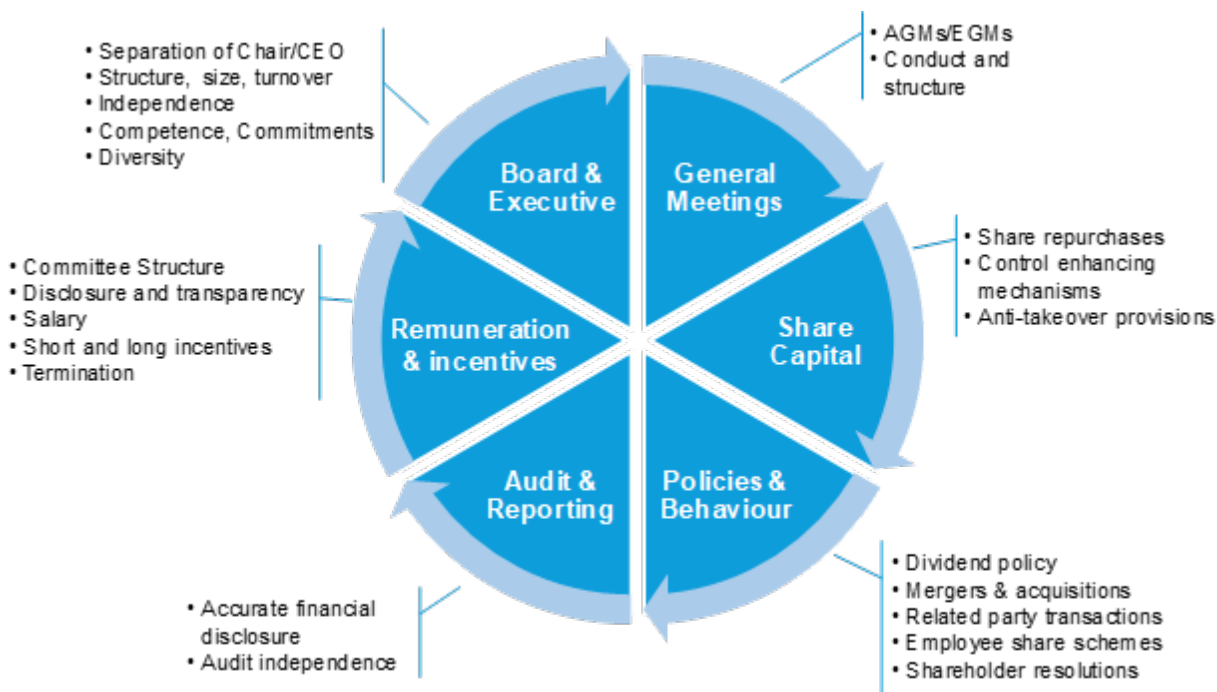
Ausbil prefers to directly engage with companies, for example, Ausbil’s Australian equities active engagement program prioritises its engagement based on materiality, Ausbil’s expertise and engagement history, relevance to portfolio holdings, analysis of an upcoming company meeting or corporate action, and client interest.

Active engagement with industry

Industry engagement typically comprises engagement through industry initiatives and / or engagement with a wide range of companies in a particular industry, for instance on issues of a systemic nature, for example, Ausbil is a signatory to the PRI, a member of various investor led groups or organisation, such as RIAA, IGCC, IAST APAC and Climate Action 100+.

Active engagement with regulators and policy stakeholders

In addition to company and industry engagement, Ausbil actively engages at an environmental, social and/or governance domestic policy level, for example submissions to Australian Government or industry body led policy discussions/enquiries.



Active voting policy

Ausbil intends, wherever possible and practical, to vote on all resolutions put to shareholders. Ausbil will, generally, vote via completing a proxy voting instruction through the relevant custodian. In rare cases, Ausbil may attend, and vote at a meeting, in person.

Ausbil's primary objective when voting is to maximise the value of our clients' investments.

Ausbil will comply with an institutional client's instruction to vote in a particular manner. Any such instruction will not bind the votes Ausbil exercise on behalf of any other clients. We apply a consistent voting policy, as summarised below.

Centralised voting oversight with the ESG team. Decision making for each specific vote is the responsibility of the relevant Investment team member. However, having the process centralised under the ESG team facilitates the tracking of key trends and voting decisions over time.

Proxy Voting Procedures Summary

All proxy voting is performed in accordance with the relevant client/custodian arrangements. Voting is applied consistently across all holdings, subject to specific client instructions, or, where Ausbil deems it appropriate, given an individual situation.

The key steps in the proxy voting procedure are as follows:

- **Step 1 – Notification**
 - Ausbil reviews the online proxy voting platforms to determine whether any meeting materials have been received that require consideration and voting.
 - The meeting materials are initially collated and the resolution(s) is analysed by Ausbil's ESG team.
 - Subsequently, the voting materials and proxy voting is distributed to the relevant analyst(s) and or portfolio manager for assessment and initial voting recommendation on each resolution.
- **Step 2 – Analysis & Recommendation**
 - A voting decision on each resolution is determined through an analysis by the relevant team member(s) of Ausbil's ESG and Investment teams.
 - Ausbil's Corporate Governance Guiding Principles, as outlined above, help guide relevant team member(s) analysis of each resolution.
 - For controversial / contentious resolutions, a final voting decision must be signed off by Ausbil's Chief Investment Officer.
 - Ausbil may also consider non-binding voting recommendations by third-party service providers.

- Final decisions will be cast based on Ausbil's evaluation and considerations, unless specifically instructed otherwise by an Institutional client, as required through an investment advisory arrangement.
- **Step 3 – Implementation**
 - Ausbil executes final votes via an online proxy voting platform or via other means agreed with the relevant custodian, by the advised proxy voting deadline.
- **Step 4 – Record keeping**
 - All votes are documented and kept on record.
 - The audit trail exists in electronic format.
 - The proxy voting platforms used by Ausbil also offer full, periodic summary templates for report generation.
- **Step 5 – Monitoring and Review**
 - On a regular basis, a member of the ESG team briefs Ausbil's Investment team on proxy voting activity and any institutional client specific matters that have arisen.

6. ESG Reporting

- **Annual ESG Report.** Ausbil publishes its ESG activities each year in a report for the benefit of investors and clients. Ausbil will typically provide ESG-related information about certain companies and/or industries, key insights on policy and emerging global trends that have been gathered through its fundamental research, external data, industry participation, experiences from field trips and other activities.
- **Ausbil publishes statements on the Modern Slavery Act (2018).** Ausbil has a long standing interest in helping to identify, assess and combat incidences and risks of modern slavery in supply chains and has been involved in the evolution of modern slavery approaches in investing and in active consultation during the development of the Modern Slavery Act 2018 (**MSA, or Act**). Ausbil's statements on the Modern Slavery Act (2018) reflect how Ausbil operates its own business with respect to the risks of modern slavery and how Ausbil invests and manages money on behalf of clients. Ausbil submits the statements on a voluntary basis and seeks to apply this best-practice approach to our business and investment processes. The statements are formally submitted on a voluntary basis to the Attorney General's Department when published for each financial year, which is 1 January to 31 December in Ausbil's case.
- **Ausbil publishes proxy voting records for its funds.** Ausbil acknowledges it may be in a position to influence the corporate governance of companies through discussions with management and the board of directors, either directly or collaboratively with industry groups, and by exercising proxy votes.
- **Ausbil discloses Controversial Activity Exclusion Policies** for funds that apply negative company screening. While Ausbil prefers to engage with companies on ESG issues, as opposed to excluding or divesting investments in companies, there are several controversial activities, Ausbil believes will be subject to increased regulatory restrictions impacting earnings over time, and where engagements are not possible to address the issues. As a result, Ausbil, in relation to relevant funds, has deemed certain activities as controversial and companies with material direct (manufacturing, development, or trading of) or indirect exposure (trading/distribution of or through the value chain, eg provision of services/components to a controversial industry) to these controversial activities are excluded from the investible universe of each fund.
- **For funds with RIAA accreditation, Ausbil publishes ESG information about the fund.** Where there are ESG outcomes defined in the investment strategy for a fund, Ausbil generally reports on these ESG outcomes each quarter. Further, Ausbil reports historical portfolio holdings for the relevant fund on at least a half yearly basis.

This Policy will be reviewed at least annually and updated where necessary.

Version Control	
Version 1: 31/08/16	Adopted 31 August 2016
Version 2: 31/03/19	Adopted 31 March 2019
Version 3: 8/5/2024	Adopted 8 May 2024