

Ausbil Global SmallCap Fund

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mFund: AXW09

Controversial Activity Exclusion Policy

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 Ausbil Global SmallCap Fund (ARSN 623 619 625) (**Fund**) 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 the Fund.

Revenue, which is used to measure material thresholds, is generally a company's reported sales revenue or, if it is not available, then another reasonable measure or estimate of sales revenue is used.

The table below outlines these activities by type and provides examples of the assessment and/or material threshold that is applied to exclude the company.

Controversial Activities & Thresholds ¹			
Activity	Activity type	Example	Material Threshold
Controversial Weapons and Armaments	Development, production, testing, maintenance or sale	The development, production, testing, maintenance and sale of anti-personnel landmines, cluster bombs, nuclear weapons (including critical components and services), depleted uranium weapons & armour, chemical weapons, biological weapons or white phosphorous weapons.	0% of revenue ²
Conventional Armaments	Production, manufacturing, trade, testing or maintenance	The production, manufacturing, trade, testing or maintenance of conventional armaments and or critical components or services for conventional armaments.	10% of revenue ³
Tobacco & tobacco-based products	Production	The production of cigarettes, other tobacco products or e-cigarettes.	0% of revenue ⁴
Tobacco & tobacco-based products	Distribution	The distribution of cigarettes, other tobacco products or e-cigarettes.	5% of revenue ⁴
Thermal Coal	Exploration, mining, production and/or distribution	The exploration and/or mining of thermal coal and the production and/or distribution of thermal coal-related products and services.	10% of revenue
Adult Content	Production and/or distribution	The production and/or distribution of adult content, including pornographic material.	10% of revenue
Alcohol	Production, manufacture and/or distribution	The production, manufacture and/or distribution of alcohol products.	10% of revenue

Controversial Activities & Thresholds ¹			
Activity	Activity type	Example	Material Threshold
Gambling	Production and/or distribution	The production and/or distribution of gambling activities, such as gaming machines/software for gambling purposes.	10% of revenue
Genetically Modified Organisms (GMOs)	Research, development and/or production	Research, development and production activities that use GMOs, without adherence to responsible policies / procedures or alignment with international standards.	10% of revenue
Animal Testing		The testing of products on animals which is either prohibited by law or conducted irresponsibly.	0% of revenue
Oppressive Regimes		Companies that have high human rights risks which are not properly mitigated.	0% of revenue

1. The thresholds apply on a combined basis, eg a company with 6% exposure to alcohol and 5% exposure to gambling = 11%, which means the company is excluded from the investable universe.
2. The Fund may include companies that (a) derive up to 5% of revenue from activities related to white phosphorous weapons because white phosphorous is required for other non-controversial activities (eg fertilizers), and (b) own up to 5% of a company directly involved in controversial weapons and armaments.
3. The Fund may include companies that own up to 10% of a company directly involved in controversial weapons and armaments or conventional armaments.
4. The Fund may include companies that are indirectly involved in the tobacco industry if they provide support through products and/or services that are not solely geared to the tobacco industry (eg packaging) or provide real estate (eg leases) to companies with direct involvement.

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