

Responsible Investment & ESG Policy

Objective

The objective of this Policy is to set out Auscap Asset Management Limited's (**Auscap**) approach for considering environmental, social, corporate governance (**ESG**) and sustainability factors in our investment decision-making and ownership practices.

Policy

Auscap, as the Responsible Entity of the Auscap High Conviction Australian Equities Fund and the Auscap Ex-20 Australian Equities Fund (together the **Funds**), has a duty to act in the best interests of the Funds' unitholders. Auscap recognises that ESG and sustainability issues can affect the long-term profitability of companies which can in turn affect their share price and the performance of the Funds. Accordingly, we believe that considering ESG and sustainability factors within Auscap's investment decision-making and ownership practices, provides greater insight into areas of potential opportunity and risk and is consistent with our fiduciary duty. As a result, Auscap includes an assessment of ESG and sustainability factors for the purpose of selecting, retaining or realising any investments for the Funds.

Auscap has been a signatory of the United Nations-supported Principles for Responsible Investment (**PRI**) since October 2017, representing our commitment to responsible investment decision-making and ownership practices.

ESG factors

For Auscap, ESG encompasses a broad range of factors that may of themselves, or in combination, have a material impact on the risk and return characteristics of investments in our funds. These factors may be driven by existing or future regulations, reflect issues of significant societal concern, or pose potential operational, financial, strategic, reputational or systemic risks. Such factors may include:

- environmental – natural resource use, waste, pollution, greenhouse gas emissions, climate change, clean technology products and services and environmental management practices;
- social – human capital, workplace health and safety, labour relations and standards, human rights, demographic changes, supply-chain and community practices; and
- governance – board composition, independence, diversity, executive remuneration and incentive plans, corporate accountability structures, compliance, conflicts of interest and related-party transactions and shareholder rights.

PRI

The consideration of ESG factors in the manner described in this Policy is known as responsible investment. To demonstrate our commitment to responsible investment, Auscap is a signatory to the PRI, the world's leading proponent of responsible investment. The PRI's six principles for responsible investment are:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosures on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Investment analysis and decision making

ESG and sustainability issues are incorporated into investment analysis and decision-making for the Funds, which may involve the analysis of:

- ESG and sustainability factors (including risks) the investment is exposed to;
- the materiality of ESG and sustainability factors, taking into account the relevant industry and individual company exposure;
- the impact material ESG and sustainability factors may have on the value, earnings and future prospects of the investment; and
- how well the ESG and sustainability factors are being managed, and therefore how likely the possible impacts are to occur.

As a quality first, value focused Australian equities manager, with the aim of generating long-term compounding returns for our investors, Auscap takes the view that ESG and sustainability factors are relevant to the investment process as they:

- may be considered as part of an overall assessment of a company's risk management framework; and
- can impact the intrinsic value of a company.

Such factors form part of the fundamental analysis undertaken by Auscap when identifying investment opportunities. Auscap does not have a predetermined view on the extent to which ESG and sustainability factors may be taken into account in our investment process, however we will consider them to the extent they materially affect the investment from a financial perspective. As a result, the particular ESG and sustainability factors that may be taken into account vary considerably between companies, industries and sectors. Auscap has no set approach for monitoring or reviewing its approach to taking ESG and sustainability considerations into account.

Active engagement

Auscap actively engages with the management teams and, where appropriate, the boards of the companies in which we invest or are considering investing in. We do not engage third parties to represent our views. If Auscap deems it relevant, ESG and sustainability factors may form part of our discussions with management and/or the board in order to assist our assessment of a company's value and to raise any concerns that we may have. If Auscap believes it is in the interests of the Funds' unitholders, Auscap may also actively engage with company management and/or the board to encourage them to improve their ESG practices. The kinds of issues that may be raised with companies are:

- assessed gaps in a company's risk management framework;
- excessive executive remuneration arrangements;
- concerns regarding corporate governance practices; and
- concerns regarding environmental practices or social issues.

Proxy voting

Auscap has a policy of voting on all resolutions put forward by companies that we invest in. When ESG issues are the subject of proxy voting, Auscap considers the issues on a case-by-case basis, keeping in mind the interests of unitholders in the Funds.

Our approach to exclusions

We believe that positive outcomes can be more appropriately achieved through ESG risk management and company engagement, rather than blanket screening of certain types of investments. To this end, Auscap's preference is to engage with the companies in which we invest with a view to working with boards and management to address material ESG issues.

Indirect outcomes of integrating ESG

While Auscap considers ESG and sustainability factors in investment analysis and decision-making, we are also aware of, and encourage, the broader benefits which improved ESG and sustainability practices can bring, including:

- increased market efficiency;
- sustainable environment management;
- higher standards of business conduct; and
- improved outcomes for company stakeholders including employees, customers, suppliers and the broader community.

Reporting and Policy review

Auscap will publicly report on progress in our approach to ESG annually through our reporting to the PRI and may also provide reports from time to time through other channels such as our monthly newsletter series.

This Policy is reviewed annually or more frequently as required to ensure that it remains current.

Responsible Person: General Counsel & Head of Responsible Investment

Review date: 25 November 2024