Introduction

Purpose

This Policy has been established to document Credit Connect Capital's ('Credit Connect') approach to Environmental, Social and Corporate Governance ('ESG') considerations and Responsible Investment ('RI') which includes:

1. Responsible investment; and
2. Sustainable environmental impact for the operations of its business

The Policy was developed for use with consultants, advisors, clients and the public with the aim of providing transparency and documentation of our ESG and RI approach. It has been developed collaboratively by the Chief Investment Officer (the 'CIO'), the Chief Executive Officer, the Head of Legal & Compliance, the Head of Distribution and the Board.

Roles and responsibilities

Responsibility for the Credit Connect's ESG & RI Policy sits with Credit Connect's ESG Working Group which comprises of members of the Investment, Operations and Client Services team. The ESG Working Group meets quarterly to:

- Monitor ESG regulation and developments;
- Manage our obligations; and
- Oversee the sustainability and social impact of Credit Connect's corporate operations.

The CIO of the Credit Connect's schemes (the 'Investment Schemes') are responsible for overseeing and documenting how this ESG & RI Policy is applied to each Strategy (see individual 'RI Approach documents' for each Strategy that are supplementary to this Policy).

1. Responsible investment

Commitment

The Credit Connect believes that a deeper understanding of ESG issues can help both to increase long-term returns and to better manage risk in our portfolios.

The Credit Connect is committed to transparency and is pleased to share its policy on RI. We continue to evolve our investment and corporate disclosures and, as a United Nations Principles for Responsible Investing ('PRI') signatory, we comply with the reporting requirements of the PRI. The Credit Connect takes its responsibilities as a steward of investors' capital seriously and uses its influence to maximise overall value for investors.

The Credit Connect is committed to being a responsible investor by:

- Incorporating ESG considerations in investment decision-making where they have material impact, and
- Demonstrating good investment stewardship by being active, engaged owners of the companies in which we invest.

Objective

The objective of our RI efforts is to provide a long-term boost to alpha for our portfolios. Given the potential implications that ESG issues have on companies' capital allocation, operating costs, business risks and, therefore, fair value, we believe that we can achieve this objective through cultivating an understanding of material ESG risks and opportunities as we perform our investment research. We do not set ESG objectives that target specific ESG outcomes.

Application

The investment team has the discretion and independence to manage assets according to the scheme's investment philosophies and processes, however we have a common commitment to integrating RI into of the Credit Connect's Investment Schemes. As such, the commonality sets the scope of this RI Policy to include all pooled vehicles managed within.

This Policy is complementary to documentation around our investment processes. In particular, it should be read in conjunction with the individual RI Approach documents for each Equities Strategy, which detail how the relevant investment team apply this Policy in their investment processes.

Guiding principles

The Credit Connect has adopted four guiding principles for ESG, based on the PRI:

1. We will incorporate ESG issues into investment analysis and decision-making.

- Integrate consideration of ESG issues in our investment process.
- Encourage investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis.

2. We will be active owners and incorporate ESG issues into our policies and practices.

- Exercise voting rights or issue recommendations to our clients where required under the mandate.
- Participate in the development of policies and regulations which promote shareholder rights and standard setting (such as promoting and protecting shareholder rights).
- File shareholder resolutions, if warranted, consistent with long-term ESG considerations.
- Engage with companies on ESG issues where appropriate.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

- Ask for ESG reporting in annual financial reports.
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives.
- Support shareholder initiatives and resolutions promoting ESG disclosure.

4. We will report on our activities and progress towards implementing the Principles.

- Disclose how ESG issues are integrated within investment practices.
- Communicate with stakeholders about ESG issues and the Principles.
- Report on progress and/or achievements relating to the Principles.

Definitions of key terms

Responsible Investment (RI): is the integration of material environmental, social and corporate governance considerations (including labour standards and ethical considerations) into investment management processes and practices in the belief that these factors can have a positive impact on financial performance.

ESG considerations: standing for 'Environmental', 'Social' and 'Governance' are non-financial factors that can provide insight into a company's level of sustainability, which may or may not already be reflected by financial metrics.

- Environmental considerations look at usage of and impact on the natural world and related resources.
- Social considerations examine the treatment of people both inside and outside the company, including labour standards.
- Governance considerations focus on how a company is managed.

Ethical considerations are embedded in the considerations of each of the ESG factors.

Investment stewardship: is 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.

Approach and style

As fundamental bottom-up investors, the group uses an internally developed ESG integration approach, defined as:

- Integration: explicitly including material ESG risks and opportunities into financial analysis and investment decisions based on a consistent process and appropriate research sources.

In practice, our integration approach means:

- ESG has linkages to value creation across our portfolio by sitting alongside fundamental considerations of companies and thereby potentially impacting qualitative and quantitative assessments, the decision whether we invest and at what size.
- We supplement our bottom-up approach with selective top down ESG research, empowering our investment team to contextualise themes for their sectors, geographies and/or markets using their own, research-driven judgement.

- We augment the capabilities of our core team with external advisers, leveraging our network to access available ESG and RI-specific expertise, however we do not formulate our views based on an externally developed set of standards or ratings.

In line with our research-intensive fundamental style, each investment team draws on a range of possible ESG approaches defined below. Each team tailors which approach(es) they use according to their unique investment process as well as the business, industry, geography and markets in which the company they are assessing operates. This forms a flexible toolkit that ensures our analysis is meaningful, relevant and targeted to material factors in the research we do:

- Risk/value approach: focuses on understanding the ESG issues a company faces on a case by case basis and considering how these risks may impact the future value of the company in which we invest. In this way, we weigh up the ESG risk associated with the investment against the expected return and decide whether or not the investment meets our ESG requirements.
- Rising stars: considers long-term value creation by seeking to identify companies that have the potential to improve their ESG management significantly over time, often from a low base. By improving their ESG management, the companies are likely to deliver better risk outcomes and potentially generate alpha from ESG.
- Minimum standards: analysis of ESG considerations at the company, sector or geographic level allowing us to exclude from the investment universe potential investments that do not meet a specified threshold, and enhances our ability to apply a set of criteria irrespective of industry or sector.

In line with our bottom-up approach, we do not apply screens/filters (either positive or negative) to the overall investment universe for our portfolios, nor do we have a uniform, predetermined view about minimum standards that is applied across all companies indiscriminately. Each Equities Team uses their discretion to determine what ESG factors are relevant and material to each company, industry and/or geography. Similarly, the themes that we develop – which lead us to identify and allocate capital to certain areas, either ESG-related or not – are typically generated from our bottom-up research rather than from the pursuit of top-down perspective.

The high degree of flexibility in our investment approach also enables us to continue to evolve as corporates, community and Government stakeholders, and investors become more aware of and focused on ESG issues, helping us to achieve our aim of continuing to broaden and deepen how we analyse and incorporate ESG considerations over time.

Responsibilities and resources

Under our integration approach, all Equities Team members have ESG responsibilities embedded into their research duties, supplemented by team members with specific responsibility for RI leadership, and by tools and information sources. In addition, the ESG Working Group provides the investment team and company management with broader perspectives and awareness of ESG issues.

Key roles and responsibilities are:

- CIO: Oversight, accountability and final decision making on portfolio allocation, including integration of ESG and all other factors.
- Investment Analysts: Conduct fundamental, bottom-up research, incorporating ESG factors into analysis alongside fundamental considerations.
- RI Leaders: Overall responsibility for the firm’s ESG framework (internal and external engagement) and for dissemination of thematic, top-down, research for Equities Team to contextualise.
- ESG Working Group: Stays abreast of any relevant changes in legislation or industry practice and share these updates with the investment team as appropriate.
- Tools and Resources: Generalist, specialist and broker capabilities support the team’s realisation and execution. When selecting and remunerating brokers, we consider the quality and relevance of their ESG research alongside their depth and breadth of corporate access, quality of company/sector and capital markets coverage and their trade and execution abilities.

Oversight, governance and monitoring

Oversight of RI is included in the ongoing, comprehensive investment analysis by the CIO and the investment team to ensure internal policies are implemented appropriately and internal checks are monitored. These checks include updates of the frequency of analysis, the sources used and whether they are first principle or third party sourced. The Board of Directors of the group provides additional oversight of the relevant investment process and ensures adherence to investment policy.

Ongoing monitoring for application of the policy is conducted by the Credit Connect Operations & Compliance Committee, who raise any salient issues with the relevant Equities

Team and the Board of the listed vehicle(s), as applicable.

The Group is also held accountable to its RI commitment through its periodic reporting as a signatory to the PRI.

Documentation

'RI Approach' documents have been prepared for each Strategy covered by this Policy. These documents set out the RI approach and style for each Strategy and are supplementary to this Policy.

The RI Approach documents are living documents which are regularly reviewed and developed by the CIO and the investment team. They are designed to provide transparency on how this Policy is applied to each individual Strategy. Please contact info@L1.com.au to enquire about obtaining these documents.

2. Sustainable environmental impact

The Credit Connect is committed to the sustainable environmental impact of its global operations and documents its approach to operating sustainability in its Sustainable Operations Process document which sits in the Employee Handbook. Like the RI Approach documents, the Sustainable Operations Process is a living document which is regularly reviewed and updated by Credit Connect's operations team.

Document control and review

This Policy is reviewed periodically by the CIO to ensure the Credit Connect's approach to ESG and RI is documented appropriately. At a minimum, this policy is reviewed on a biennial basis (every 2 years) by the Head of Legal & Compliance and the Compliance Committee in line with the Credit Connect's policy review cycle. Any changes to this Policy are advised to all staff at the time.