MELIOR INVESTMENT MANAGEMENT

RESPONSIBLE INVESTING POLICY

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Our Ambition

Melior is an Australian impact investment manager that seeks to:

- Invest in listed companies that we consider have a positive impact and contribute to the Sustainable Development Goals (SDGs)
- Drive change by influencing companies to do better, and
- Provide investors with the opportunity to use their financial power to drive change by aligning with the six 'Principles for Responsible Investment'.

Our Investment Beliefs

We believe that well operated positive impact companies with strong ESG and financial characteristics will outperform. Having regard to a foundation of academic evidence and industry experience, we believe:

- The market underestimates the long-term competitive advantage of positive impact companies[1]
- The impact universe offers a broad set of growth and value opportunities that can deliver alpha through different cycles[2]
- The market inefficiently prices operational ESG risks and opportunities[3]
- The increasing prominence of intangible assets compounds the valuation effect of impact and ESG events[4]
- Investing with a valuation discipline in high-quality companies will deliver outperformance[5], and
- Company management and boards that are actively driving forward impact and ESG improvements will deliver superior share price performance and play an important role in environmental and social change[6].

Our Key Capabilities

We strive to maintain and improve key capabilities in the following areas:

- Trusted relationships and advocacy engagement with investors
- Attracting, developing and retaining outstanding talent and diversity
- Comprehensive understanding of social and environmental risks and opportunities
- Deep in-house research on company ESG and impact
- Rigorous and repeatable impact and ESG measurement framework
- Thought leadership on key SDG and ESG themes and industry trends
- Advocacy with companies on material ESG issues and tracking of our engagement
- Proprietary valuation framework and detailed financial analysis
- Focused and effective governance including an Advisory Council of industry leaders to contribute to strategic environmental and social insights
- Strong networks across universities, non-government organisations and collaboration groups, and
- Formal proxy voting policy with transparency on voting rationales.

Our Values

Our team:

- Make a difference
- Embrace the opportunity
- Be curious
- Support each other
- Enjoy what you do

1. See Endnote 1
2. See Endnote 2
3. See Endnote 3
4. See Endnote 4
5. See Endnote 5
6. See Endnote 6

Our Approach

A MULTI-DIMENSIONAL APPROACH TO TARGETING ALPHA

The Fund invests in companies that Melior believes have the ability to deliver long-term competitive financial returns and have, or will have, a net positive contribution to the Sustainable Development Goals (SDGs)[7].

To deliver long-term competitive financial returns and positive environmental and social impact, Melior believes a company must focus on 'what' it offers as well as 'how' it operates.

To determine which companies to allocate capital to, Melior follows a five-step investment approach as outlined below.

Each of the five steps contributes to our multi-dimensional approach to alpha generation that combines deep impact and ESG research, company engagement and financial analysis to develop unique insights on risks and opportunities.

1 Impact assessment

Melior believes that listed companies in Australia and New Zealand can play an important role in helping improve Australia's and New Zealand's current lack of progress in achieving the SDGs by 2030 given their ability to influence operating practices and deploy technologies, products and solutions at scale. We have analysed the SDGs and identified several actionable impact investment themes. The first step in our impact assessment is to map a company to one or more actionable impact investment themes.

We measure impact based on a multi-dimensional proprietary framework. This framework considers 'what' a company offers and the contribution of that offering to the SDGs to arrive at a net impact score based on the assessment of current positive and negative impacts and likely future positive and negative impacts.

To satisfy the impact assessment, a company needs to contribute to at least one or more SDG sub goals based on core goods and services or, for large companies, be demonstrating climate action or gender equality leadership and have a net positive impact score.

Climate action (SDG 13) leadership is assessed through Melior's proprietary Climate Action Transition Framework Assessment. This framework seeks to identify climate action leadership in high-emitting companies.

Gender equality leadership is assessed through Melior's proprietary Gender Lens Investing Framework Assessment. This framework seeks to identify leading large employers contributing to SDG 5 Gender Equality.

At this stage of the investment process, Melior also assesses whether a company has an exposure to an 'excluded industry'. We actively exclude companies deriving more than five per cent of revenue[8] from excluded industries, being those that we consider detract from the SDGs[9]. We will, however, permit investment in companies deriving of up to ten percent of revenue[10] from excluded fossil fuels where the company satisfies our Climate Action Transition Framework[11]. Melior also seeks to exclude companies which derive five percent or more of gross revenue [12] from selling any of the excluded industries' goods or services or, from the provision of financial services to any of the excluded industries.

7. See Endnote 7
8. See Endnote 8
9. See Endnote 9
10. See Endnote 10
11. See Endnote 11
12. See Endnote 12

2 ESG assessment

Companies that satisfy Melior's Impact Assessment are then assessed on how they operate from an ESG perspective. A proprietary framework of approximately 100 quantitative and qualitative ESG factors[13] (such as emissions, waste, gender equality, animal welfare, board remuneration and composition) is used to analyse companies' ESG characteristics[14].

Melior may allocate capital to companies that score well on an absolute or relative basis or to those which it believes are committed to making ESG improvements that will contribute to the company's long-term competitive financial returns.

We consider that such companies have potential to outperform over time because we consider they may be less likely to experience operating, legal, policy and regulatory risk, and there is increasing evidence that such companies may be able to secure lower costs of capital.

ESG discussion examples

E

ENVIRONMENTAL

- Greenhouse Gas Emissions
- Waste & Pollution
- Water
- Biodiversity

S

SOCIAL

- Human Rights & Safety
- Gender & Other Equality
- Cyber Security & Privacy
- Animal Testing

G

GOVERNANCE

- Board Effectiveness
- Remuneration & Alignment
- Sustainability Focus
- Ethics

3 Financial assessment

Using our proprietary valuation framework and company modeling analysis, we consider which of the companies that have passed the Impact Assessment and ESG Assessment also have strong financial credentials. Our valuation framework assessment criteria includes balance sheet strength, growth, valuation, profitability, momentum and risks of individual stocks.

By being style agnostic, we consider our approach opens up a broader opportunity set for alpha generation.

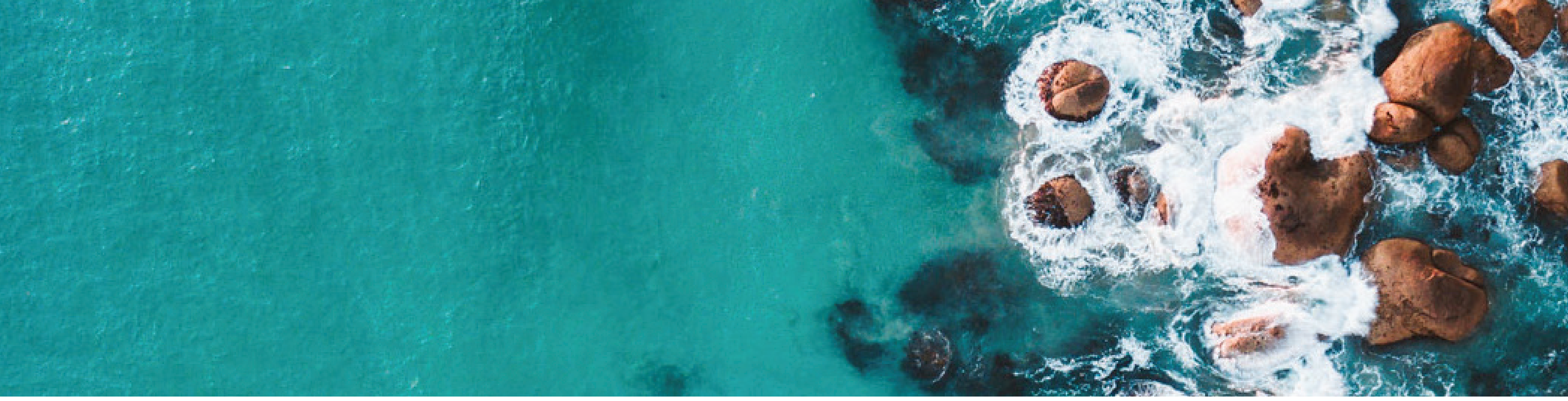
4 Portfolio construction

Melior then constructs a long-term focused, high conviction portfolio of 20 to 50 stocks across different sectors taking into account factors such as macro-economic conditions, liquidity, diversification and concentration limits.

5 Advocacy for impact

The insights we generate from our proprietary ESG and Impact research help us identify advocacy opportunities with companies. We advocate for material ESG improvements that we believe will improve their positive impact as well as help to de-risk the business, lower their cost of capital, improve their customer engagement and brand, and lead to improved valuations and share price performance. Our proprietary tracking tools enables us to set targets in key focus areas and monitor the progress of companies over time.

13.See Endnote 13
14.See Endnote 14



Endnotes

1. Supported by a recent joint Harvard, Wharton and Columbia study of 500,000 US companies that found that companies exhibiting both high purpose and clarity have systematically higher future accounting and stock market performance. Gartenberg, Claudine Madras and Prat, Andrea and Serafeim, George, Corporate Purpose and Financial Performance (October 9, 2018). Organization Science, 30(1), pp.1-18, Available at SSRN: https://ssrn.com/abstract=2840005 or http://dx.doi.org/10.2139/ssrn.2840005

2. Supported by Melior analysis of the ASX 300 index showing Melior's net positive impact universe results in an equal mix of "value" and "growth" style stocks with the size of the ASX300 net positive impact universe being a similar universe size to the value universe and growth universe. Source: Bloomberg. Various studies also support our belief that a style agnostic approach provides a broader opportunity set from which to generate alpha and allows our active portfolio management to capture varied performance of factor premia during different stages of the macroeconomic or business cycle. See "Macroeconomic Risks in Equity Factor Investing" (Amenc et at, 2019). Emerging research "The Quant Cycle" Blitz, 2021, also points to divergent factor performance over periods marked by the behaviour, sentiment, and performance of the factors themselves.

3. Various studies support our approach to ESG value creation belief including, but not limited to, "ESG + Quant = alpha.." (published by Merrill Lynch, March 2018), "ESG in GEMs" (Goldman Sachs, September 2017) and Eccles et al 2011, that found that ESG factors add alpha to the investment process. An MIT Sloan Sustainability Initiative study showed that correlations between ESG Ratings from alternative agencies are on average 54%, which compares to mainstream credit ratings from Moody's and Standard & Poors at 99% correlation. Berg, Florian and Kölbel, Julian and Rigobon, Roberto, Aggregate Confusion: The Divergence of ESG Ratings (August 15, 2019). Two additional studies on divergent ESG ratings (Dimson, Marsh & Staunton 2020 and Boffo and Patalano 2020) found similar conclusions. Dimson, Marsh, Staunton 2020: Divergent ESG ratings. Furthermore, each individual segment – environmental, social and governance – have been subject to academic studies to show relationships between these factors and investment returns. For example, "Does Corporate Social Responsibility Affect the Cost of Capital?" (Ghoul et al 2011) and "Voluntary Nonfinancial Disclosure and the Cost of Equity Capital: The Initiation of Corporate Social Responsibility" (Dhaliwal et al 2011) indicated a relationship between corporate social factors and the cost of capital. Environmental studies such as "Corporate Environmental Management and Credit Risk" (Bauer and Hann 2010) touched on factors of environmental concerns being associated with higher cost of debt financing and lower credit ratings.

4. Supported by "Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices" (Alex Edmans 2010) study showed that a value weighted portfolio of the best companies to work for in America earned higher returns relative to the index. The increasing prominence of intangible assets in company valuations is also evidenced by the below graph showing the increasing role of intangible assets in valuations over time in the S&P 500. In 2020, intangible assets comprised 56% of the value of ASX200. Research by Damodaran, "Valuing Companies with Intangible Assets" (2009) also suggests that fundamental analysis is key to adjusting for pitfalls in accounting-driven metrics in order to properly understand the value of intangible assets.

5. A range of financial literature supports the importance of quality in achieving outperformance. Sloan (1996) highlighted that higher quality earnings led to higher returns. Asness, Frazzini and Pedersen (2013) highlighted that quality stocks persist into the future longer than expected. Further, they suggest avoiding stocks that have chances of extreme performance which the market tends to overpay (share price volatility).

6. Supported by a recent report from McKinsey that found that the business sector accounts for 72% of GDP in OECD economies and a greater share of productivity and innovation with the remainder coming from government,non-profit activity, and household incomes from real estate (https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/a-new-look-at-how-corporations-impact-the-economy-and-households). The value of companies with strong Impact and ESG credentials is referenced in the points above.

7. The SDGs comprise 17 universal, global goals with 169 sub- goal targets to reach by 2030. They were formally adopted by all 193 UN member states in New York in September 2015.

8. Gross revenue or the best available proxy for gross revenue as disclosed in the company's financial statements, as assessed on a rolling 12-month annual basis.

9. Excluded Industries include alcohol manufacturing, armament manufacturing, gambling operations, pornography production, tobacco manufacturing, uranium production and nuclear energy, thermal coal, gas, tar sands, oil and conventional and unconventional gas production, and ultra-processed foods manufacturing such fast food, soft drink and confectionary that are known to be associated with diseases such as obesity.

10. Gross revenue or the best available proxy for gross revenue as disclosed in the company's financial statements, as assessed on a rolling 12-month annual basis.

11. In certain circumstances Melior will permit an exception to the 5% gross revenue threshold for producers of thermal coal, gas, tar sands, oil, and conventional and unconventional gas, which emit greater than 1 million tonnes of greenhouse gas emissions per annum, provided that the relevant companies satisfy our Climate Action Transition Framework. In seeking to identify companies that demonstrate climate leadership, our Climate Action Transition Framework assesses whether a company has credible net zero targets, evidence of progress towards these targets and a transition plan that considers the decommissioning, rehabilitation and social impacts. A higher gross revenue threshold of 10% will apply to these companies. This acknowledges that some companies with a small exposure to fossil fuel production have the potential to have a net positive impact on climate action and the energy transition.

12. Gross revenue or the best available proxy for gross revenue as disclosed in the company's financial statements, as assessed on a rolling 12-month basis.

13. Sources: Estimates derived from most recent company reports, Workplace Gender Equality Agency data, ASX Announcements, company websites, Glass Lewis, Reconciliation Australia, National Greenhouse and Energy Reporting, Bloomberg Science Based Targets Initiative, Task Force on Climate Related Financial Disclosures, EMMI, Australian Packaging Covenant Organisation, Task Force on Nature Related Financial Disclosures, Hesta 40 40, Australian Workplace Equality Index, Global Company and Melior estimates.

14. Melior may perform calculations and make estimates, assumptions and subjective judgments. Actual outcomes may differ from the results of the calcuiations performed or the estimates, assumptions and judgments made.