OC Funds Management Pty Ltd

Responsible Investment Policy

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Approved by	Robert Frost
Reviewed by:	
Policy owner:	OC Funds Management Pty Ltd

Contents

Purpose and scope

The purpose of this Policy is to describe OC Fund Management's (OC) approach to Responsible Investing and the consideration of environmental, social and governance (ESG) factors in its investment process. The Policy documents the approach OC employs to identify and manage ESG risks. This policy applies to all equity strategies managed by OC.

Beliefs

OC acknowledge the responsibility placed on us as managers of our client's capital. We believe that a company's approach to ESG issues can reflect an attitude to long term earnings sustainability which is in the interests of our investors. OC are aware that ESG issues can impact the performance and value of investments in varying degrees. Fundamental to OC's approach to Responsible Investment is our belief that companies with best practice ESG policies tend to be better risk managers that typically outperform operationally over the long-term.

OC believe that incorporating financially material ESG considerations into investment decision-making can help better manage risk and contribute to stronger investment returns for clients in certain circumstances. This is why, ESG considerations are integrated into our investment process and explicitly included in our company risk assessments and analysis.

OC also believes that stewardship can assist with the responsible management of our clients' capital. OC's stewardship approach involves company engagement and proxy voting,

OC does not construct its products with explicit exclusion of investments on ESG grounds.

Principles for Responsible Investment

OC has referenced the UN supported Principles for Responsible Investment (PRI) framework to guide its implementation of responsible investment. As a signatory of the PRI, OC commits to the following PRI principles where consistent with its investment management responsibilities. We will:

1. Incorporate ESG issues into investment analysis and decision making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG factors by the entities in which we invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the Principles; and
6. Report on our activities and progress towards implementing the Principles.

OC's goal is to:

1. be aware of and monitor the key ESG issues for its investments;
2. be aware of and monitor the key ESG issues for investments suitable for future inclusion in the portfolio;
3. voice our opinion to management and through our voting (consistent with our voting policy), in any instance where we see a company requiring change in relation to an ESG issue; and
4. encourage the disclosure by companies of ESG and sustainability issues.

ESG Integration

OC believes it is important to consider the most material ESG issues for prospective and current investments. We endeavour to take a risk-based approach to ESG integration to support our understanding of relevant risks.

OC's investment team identify material ESG risks and opportunities for each investment using the firm's Operational Risk Assessment Framework (ORA). The ORA considers material risk across six pillars: Company Management, Business Model, Operating History, Industry Structure, Corporate Governance and Financial Analysis. Appendix 1 provides an overview of sample ESG risks considered within the ORA. Examples of ESG factors that OC considers in the ORA process are outlined in the table below.

Environment	Social	Governance
Climate Change Water and energy management De-forestation Circular economy (waste, packaging and recycling) Biodiversity (pollution) Heritage preservation	Modern Slavery Indigenous rights Occupational safety Privacy and data security Product safety and impact Workplace culture Animal testing	Board composition and skills Ethics and responsible decision making Remuneration Shareholder recognition Disclosure Financial reporting integrity

ESG factors require periodic reassessment and monitoring due to ongoing changes in regulations and the evolution of scientific knowledge and society values. We take a forward-looking view of ESG assessments, acknowledging that the market is evolving, and that companies' positions may change over time.

OC integrates its ESG analysis into investment decisions in various ways depending on the investee company and materiality of the ESG factor. The following table summarises our approach.

Integration Approach	Description
Portfolio Construction	OC may adjust the weighting of a portfolio company in response to a material ESG factor or event – this could be higher or lower
Valuation	OC incorporates quantifiable financially material ESG factors into company valuations where appropriate. Various approaches are taken including: 1. Forecasting an explicit revenue or expense resulting from an ESG factor; 2. Adjusting cost of capital, both debt and equity as a consequence of being involved in a higher or lower risk industry; or 3. Undertaking scenario analysis and including a valuation adjustment.
Engagement	Our analysis may inform our company engagement or proxy voting activities.
Divestment	OC may remove a company from its investment universe or divest an existing holding if the ESG risks are determined to be material enough to undermine the investment case.

OC primarily relies on our own analysis to inform our ESG views. We also engage Ownership Matters to help inform our views on ESG matters and engage with them periodically on perceived ESG issues or to attain an independent view. Ownership Matters is an independent Australian advisory firm offering research and recommendations on corporate governance, proxy voting, and ESG issues, with a focus on promoting best governance practices to enhance long-term shareholder value.

Stewardship – Company Engagement

Whilst OC are not activist investors, we regularly engage with investee company boards and management as part of our stewardship approach, where we believe engagement would be useful and productive. OC will engage either individually or jointly with other investors. Where we have issues with the governance of a company, we will engage with the Chair or other directors as might be relevant. Whilst our approach is typically consultative, we will exercise our right to vote against board sponsored proxy resolutions that we consider not in the best financial interests of our clients.

We record and track outcomes for all engagement activities. The outcomes and insights gained through engagement inform our Operational Risk Assessment process.

Proxy Voting

OC believes the right to vote as a proxy for our investors is a valuable asset. OC will endeavor to exercise its proxy voting rights for all listed securities it manages on behalf of clients. OC's primary objective when voting is to act in the best financial interests of its clients. See the OC Proxy Voting Policy for more information on our approach.

Climate change

OC acknowledges the United Nations Paris Agreement to limit global warming to below 2°C by 2050, compared to pre-industrial levels, and transition the global economy to net zero.

As a key investment topic, climate change may present a range of material social and economic risks and opportunities to investee companies. These risks and opportunities could be driven by the physical impacts of climate change or by the transition to a low carbon economy.

OC does not take a values-based approach to climate change. As an investment manager, our fiduciary obligation is to maximise returns and minimise risks for our clients. Climate change risks are typically longer term and exhibit a lower degree of certainty in terms of impact and timing. OC is committed to monitoring and managing climate risk within our portfolio and regularly engage with our portfolio holdings on their carbon footprint and their strategies to mitigate climate change.

OC generally screens out single commodity and single mine resources stocks from its portfolios and is therefore typically underweight companies that are most exposed to climate change risks.

OC undertakes the following steps to monitor and manage climate risk in portfolios:

1. Risk Analysis – We consider climate related risks as part of our Operational Risk Assessment. This analysis includes transition and physical risks.

2. Benchmarking - We use external climate indicators such as those provided by Climate Action 100+ to assess company specific performance
3. Carbon Footprinting - We measure the carbon intensity and absolute carbon footprints of our portfolios to identify large contributors
4. Company Engagement – Where material we encourage companies to disclose how they manage climate change risk
5. Industry research – we keep abreast of industry developments and evolving research on climate risk from sources such as stockbroker research, the International Energy Agency and other well regarded specialist research agencies.

Modern Slavery

OC supports the United Nations Guiding Principles on Business and Human Rights and expects our investee companies to do the same.

OC considers modern slavery a systemic ESG risk. Our approach to managing modern slavery risks in our own operations and investment portfolio is detailed in the OC Funds Management Modern Slavery Policy Statement. OC's core approach to assessing and managing the risk of modern slavery in investment portfolios includes:

1. Incorporating Modern slavery as a standard risk when undertaking Operational Risk Assessments for the investment universe.
2. Subscribing to external ESG research and monitoring for controversies in respect of UN Global compact compliance or human rights violations.
3. Conducting due diligence on investee companies using their Modern Slavery disclosures, encouraging companies to be transparent about modern slavery risks and assessing their governance and strategies for managing these risks.
4. Offering training to the investment team to assist in developing and maintaining awareness of modern slavery risk across OC's investment universe.

Environmental risks (beyond climate change)

OC recognises that environmental risks extend beyond climate change and can have significant, long-lasting impacts on both society and the companies in which we invest. These risks include, but are not limited to, issues such as biodiversity loss, water scarcity and pollution, waste management, deforestation, land degradation, and the use of hazardous materials.

Key Considerations

- **Biodiversity and Ecosystem Impact:** OC assesses the potential for investee companies to negatively affect biodiversity and natural habitats, including risks related to land use, deforestation, and ecosystem disruption.
- **Water Management:** We consider how companies manage water resources, including risks of water scarcity, contamination, and the impact of operations on local water supplies.
- **Pollution and Waste:** OC evaluates risks associated with air, water, and soil pollution, as well as a company's approach to waste management, hazardous chemicals, and efforts to reduce

environmental contamination.

- **Resource Efficiency:** The efficient use of natural resources, including energy and raw materials, is monitored to identify companies that may face regulatory, reputational, or operational risks due to unsustainable practices.
- **Regulatory and Legal Risks:** Failure to manage environmental risks can expose companies to regulatory penalties, litigation, and increased scrutiny from stakeholders.

OC's Approach

- **Due Diligence:** Consideration of material environmental risks are integrated into OC's operational risk assessment process prior to investment, with ongoing monitoring throughout the investment period.
- **Engagement:** OC engages with investee companies to encourage transparent disclosure and proactive management of material environmental risks, including the adoption of best practices in environmental stewardship.
- **Risk Mitigation:** Where material risks are identified, OC may adjust investment decisions or engage with companies to improve their environmental practices and risk management frameworks.
- **Continuous Review:** OC stays informed on evolving material environmental standards and regulations, ensuring that our assessment methodologies remain current and comprehensive.

Social Impact

While social issues are often the subject to an element of subjectivity, it is the role of the analyst to identify risk of companies engaging in anti-social behaviours. We assess factors such as employee safety standards and company labour policies and consider other workplace issues that may pose a material threat to a company's sustainable earnings growth. Practices in the grey areas of what is legally allowed but which may be counter to our ethical beliefs can have an impact on a company's sustainable earnings and are therefore considered in our risk assessment and valuation.

Through our regular interaction with employees, independent contractors, suppliers, regulators and former employees, we are able to develop a broad understanding of the culture of a business. This helps to inform us on a company's attitudes to broader social issues and social risk factors.

Governance

Strong corporate governance is considered by OC to be imperative to the creation of sustainable shareholder value. We therefore consider that a company that has implemented strong governance structures and policies that align with shareholder values will perform better over the long-term. This includes a management team with awareness and policies that demonstrate strong governance practices and an independent board who recognise the importance of their role in guiding management on its responsibility to stakeholders. This is particularly important in the small cap universe where founders or large management shareholders may exercise high levels of influence over a company. It is imperative to make sure the appropriate governance frameworks are in place to ensure the interests of minority shareholders are adequately protected.

As part of our operational risk assessment undertaken prior to investing in a company, we evaluate the governance framework of a firm and their alignment to minority shareholders, taking into consideration the composition, experience and diversity of the board. We also assess remuneration structures and incentive plans to ensure that key management are aligned with the best interests of minority shareholders.

Reporting

OC will report on its responsible investment activities to clients through its website and periodic reporting such as our sustainability report. This includes information associated with proxy voting which will be published at least annually.

Where practical, OC will participate in the PRI Reporting Framework and publicly disclose the PRI Assessment Report. The PRI Assessment Report results will be used as an indicator to measure the progress of OC's responsible investment approach and activities.

Responsibilities

OC's investment team is responsible for identifying, integrating and managing ESG risks in the investment process. OC requires that all employees maintain a high degree of awareness of ESG issues and associated thought leadership.

It is the responsibility of the Head of Investment Process to ensure this policy is kept up to date. Required changes are to be made to the investment process in a timely manner in conjunction with the Head of Investments.

Appendix 1 – ORA ESG Integration

OC's investment team identify material ESG risks and opportunities for each investment using the firm's Operational Risk Assessment Framework (ORA). The ORA considers material risk across six pillars: Company Management, Business Model, Operating History, Industry Structure, Corporate Governance and Financial Analysis. The diagram below identifies sample material ESG considerations across each ORA pillar.

ORA | ESG Integration

Example ESG considerations by Operational Risk Assessment area

Management	Business Model	Operating History	Industry Structure	Corporate Governance	Financial Analysis
•Diversity and inclusion •Ethical and responsible decision making •Recognition of legitimate interest of stakeholders •Prudent executive remuneration •Conflicts of interest	•Greenhouse gas emissions and other pollution •Management of climate change risks •Management of water and energy •Native and old growth forest logging •Processes which produce nuclear or hazardous waste •Depletion of non-renewable resources •Preservation of heritage and wilderness areas •Recycling and waste management •Potential downstream pollution from product use	•Occupational health and safety •Community relations •Appropriate ESG reporting •Transparency on ESG measures	•Management of water and energy •Processes which produce nuclear or hazardous waste •Social impact on end users (e.g. Tobacco, Gaming equipment) •Weapons manufacture and supply •Depletion of non-renewable resources	•Ethical and responsible decision-making •Management of share option schemes •Recognition of the legitimate interests of stakeholders •Sound systems of internal control for risk oversight •Diversity issues •Modern Slavery •Structures to safeguard against bribery and gratuity payments •Systems to identify conflicts of interest •Related party transactions	•Structures in place to safeguard the integrity of the company's financial reporting •Timely and balanced disclosure of all material matters concerning the company

OC incorporates Industry specific materially financial ESG considerations referencing the [SASB (IFRS) materiality finder framework.](#) Examples of material Industry level considerations are provided overleaf for the Metals & Mining, Commercial Banking and Software & services Industries.

Figure 1 Metals & Mining Industry - 11 Material Risks

Environment	Social Capital	Human Capital	Business Model and Innovation	Leadership and Governance
GHG Emissions	**Human Rights & Community Relations**	**Labour Practices**	Product Design & Lifecycle Management	**Business Ethics**
Air Quality	Customer Privacy	**Employee Health & Safety**	Business Model Resilience	Competitive Behaviour
Energy Management	Data Security	Employee Engagement, Diversity & Inclusion	Supply Chain Management	Management of the Legal & Regulatory Environment
Water & Wastewater Management	Access & Affordability		Materials Sourcing & Efficiency	**Critical Incident Risk Management**
Waste & Hazardous Materials Management	Product Quality & Safety		Physical Impacts of Climate Change	Systemic Risk Management
Ecological Impacts	Customer Welfare			
	Selling Practices & Product Labeling			

Source: SASB

Figure 2 Commercial Banking 5 Material Risks

Environment	Social Capital	Human Capital	Business Model and Innovation	Leadership and Governance
GHG Emissions	Human Rights & Community Relations	Labour Practices	**Product Design & Lifecycle Management**	**Business Ethics**
Air Quality	Customer Privacy	Employee Health & Safety	Business Model Resilience	Competitive Behaviour
Energy Management	**Data Security**	Employee Engagement, Diversity & Inclusion	Supply Chain Management	Management of the Legal & Regulatory Environment
Water & Wastewater Management	**Access & Affordability**		Materials Sourcing & Efficiency	Critical Incident Risk Management
Waste & Hazardous Materials Management	Product Quality & Safety		Physical Impacts of Climate Change	**Systemic Risk Management**
Ecological Impacts	Customer Welfare			
	Selling Practices & Product Labeling			

Source: SASB

Figure 3 - Software & services - 6 Material Risks

Environment	Social Capital	Human Capital	Business Model and Innovation	Leadership and Governance
GHG Emissions	Human Rights & Community Relations	Labour Practices	Product Design & Lifecycle Management	Business Ethics
Air Quality	**Customer Privacy**	Employee Health & Safety	Business Model Resilience	**Competitive Behaviour**
Energy Management	**Data Security**	**Employee Engagement, Diversity & Inclusion**	Supply Chain Management	Management of the Legal & Regulatory Environment
Water & Wastewater Management	Access & Affordability		Materials Sourcing & Efficiency	Critical Incident Risk Management
Waste & Hazardous Materials Management	Product Quality & Safety		Physical Impacts of Climate Change	**Systemic Risk Management**
Ecological Impacts	Customer Welfare			
	Selling Practices & Product Labeling			

Source: SASB