

Tyndall AM Australia Equities

Responsible Investment Policy

October 2021

Introduction

Tyndall AM Australian Equities has a long history of investing based on fundamental research. All stocks have an intrinsic value that with expert and diligent research can be accurately assessed. In the short-term the market price frequently reflects factors other than this intrinsic value. Assessing the intrinsic value of an investment can reveal profit opportunities, as the market price will invariably move towards the intrinsic value. This thinking lies at the core of the Tyndall AM AustralianEquities investment approach.

Investing in a responsible manner, where material issues including Environmental, Social and Governance (ESG) issues are considered, is a part of our duty to clients. Engagement with companies held in the portfolios is an important component of the investment process, with the aim to improve the outcome for investors as well as increasing the value of companies by addressing ESG issues.

ESG factors often have long term impacts which are overlooked by the market. Environmental risks can affect the long-term profitability of a company. Risks such as water supply shortages and climate change are real risks, and companies need to respond to these risks and any related government regulation. Community views about the environment and consequent consumer, corporate and government reactions also need to be considered. Social issues such as human rights and health and safety can lead to changes to the market via government regulation and changes in consumer and public opinion. Corporate governance issues are common and contribute to poor reinvestment of capital. Factors that contribute to poor governance include differential treatment of shareholders, lack of Board independence and the lack of skill and experience on the Board.

As long term, fundamental investors, Tyndall AM Australian Equities considers ESG factors in the same way as more traditional factors such as market structure, innovation and industry growth. Any material ESG issues are incorporated into the valuation using the same methods that more traditional factors are handled. This way, the impact is neither under nor over-stated. It is important to note that we do not exclude particular asset types, industry sectors or securities wholly on moral or ethical grounds, unless this is expressly built into the product's investment strategy or client agreement.

Stocks with the highest forecast returns are then selected to form the portfolio. The effect of this process is to correctly integrate the stock specific impact of ESG issues into the portfolio.

Engagement with companies is a key part of the research process. Developing a superior understanding of companies to peers is a key method of producing higher returns. As shareholders, there is the capacity to influence better corporate behaviour. For companies held in the portfolios, the engagement is used to influence corporate practice to address ESG issues and to improve disclosure of ESG information.

The Responsible Investment Policy includes the Responsible Investment Training Policy and the Engagement Policy. These policies are in place to maintain investment personnel's knowledge of Responsible Investment at a high standard and to provide clear objectives and processes for engagement with companies.

Tyndall AM is a member of the United Nations supported Principles for Responsible Investment (PRI). The six PRI principles provide a framework for Tyndall AM in implementing responsible investing in the management of funds, engagement with companies and communication with clients. Tyndall AM is committed to PRI membership and reporting its progress through the annual PRI Reporting Framework.

Tyndall AM Australian Equities has a separate Proxy Voting Policy and Guidelines which covers both proxy voting and corporate governance. It is available on the Tyndall AM Australian website at www.tyndallam.com.au.

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Scope

Responsible investing is considered to be a core part of the Tyndall AM Australian Equities investment process. Consequently, the scope of the policy is broad.

This policy applies to all funds, mandates and portfolios managed by the Tyndall AM Australian Equities team.

Objectives of Responsible Investment

Objectives for the Responsible Investment Policy are in place so that users and readers of the policy understand what Tyndall AM Australian Equities aims to achieve from responsible investment efforts.

There are three broad objectives of the policy:

- Develop an understanding of the ESG risks faced by a company.
- Determine the impact on the company, and if material, incorporate that impact into the company valuation.
- Engage with companies held in the portfolio to improve management of ESG issues and disclosure on ESG issues.

Responsible Investment Guidelines

Tyndall AM Australian Equities has a long history of successful investing, using a process that starts with developing a comprehensive understanding of the factors that drive earnings and risk. The analyst is tasked with knowing the market environment, strengths, and weaknesses of the company, assessing company management and culture, and developing an ability to forecast the earnings over a long timeframe. Risk factors, both upside and downside, internal and external, must be understood so that an accurate estimate of the company's value can be made. Environmental, social and corporate governance issues and risks are assessed as they can be material contributors to future expectations.

Specifically, the requirements of analysts in the investment process are:

- ESG factors must be considered by analysts when analysing a company for consideration as an investment.
- Material ESG factors must be incorporated into the forecast value of the company.
- An ESG comment discussing the material issues must be included in the research report.

The method by which an ESG issue is included in the valuation will depend on the specifics of the issue but will depend on factors such as forecast risk and the expected effect. Analysts are to use the most appropriate method.

Engagement with companies which are held in portfolios is also a responsibility of the analyst and is covered in more detail in the Engagement Policy section below.

Responsibility for Implementation

The Tyndall AM Australian Equities team is collectively responsible for the implementation of the Responsible Investment Policy. A Responsible Investment Coordinator is appointed from the team and is responsible for creating and reviewing the Responsible Investment Policy, and for determining the required training standard.

The analyst who is responsible for coverage of a company is primarily responsible for implementing the Responsible Investment Guidelines. The analyst is also responsible for leading the engagement with companies which are held in portfolios.

The Portfolio Manager (PM) is responsible for validating the implementation of the Responsible Investment Guidelines by the analyst if the company is included in the PM's portfolio.

The Head of Equities and Deputy Head of Equities are responsible for validating adherence to the Responsible Investment Training Policy and the Engagement Policy.

Responsible Investment Training Policy

All Investment Personnel, defined as all Analysts, Portfolio Managers, Dealers, and the Head of Equities, must complete an external responsible investment training course. Newly employed Investment Personnel must meet this requirement within 1 year of commencing employment.

Further responsible investment training may be required, as determined by the Responsible Investment Coordinator. Meeting the required responsible investment training standard is a Performance Management Objective for Investment Personnel.

Promotion of Responsible Investment

Tyndall AM Australian Equities aims to promote the integration of responsible investment within the investment industry by encouraging the analysis of ESG issues by service providers. It is the responsibility of the investment team to promote responsible investment by encouraging service providers such as researchers and brokers to consider ESG risks in the analysis of companies.

Engagement Policy

Tyndall AM Australian Equities has a long history of engaging with companies held in portfolios, with the objectives being to improve company value, further the understanding of the company and its environment, to improve the management of ESG issues and improve disclosure of ESG issues.

Analysts and portfolio managers regularly meet with senior management and members of the Board.

For all companies held in portfolios, analysts are required to attempt to engage with both senior management and the Board. Analysts are responsible for company engagement as they have expert knowledge of the company and are best positioned to promote the interests of shareholders and investors. The analysts can utilise their knowledge to influence companies to improve performance including improving the company's performance on ESG issues.

The broad objectives of all company engagements are:

- Promote the interests of shareholders by influencing the company behaviour to maximise shareholder value.
- Encourage management of ESG issues, particularly where the ESG issues are material to the valuation.
- Promote improvements in ESG disclosure where it is viewed as insufficient.
- Where the company requests information or guidance, to provide assistance in improving shareholder value and improved ESG management.

Specific objectives for company engagements will be determined by the responsible analyst but will be driven by the materiality of ESG issues on the valuation. Specific objectives should include issues which are incorporated into the valuation and any raised in the ESG comment in the research report.

The target of engagement with companies which are held in portfolios should be the Chair of the Board, but could be the senior management, other Board members or the head of Investor Relations. The choice of engagement target will depend on the analyst's view of the most appropriate target.

Collaborative engagements, where Tyndall AM Australian Equities works with other parties to engage a company, are to be used where the analyst considers this likely to provide more beneficial outcomes. Collaborative engagements must follow the requirements of the engagement policy.

All engagements are to be reported to the investment team, specifically detailing the objectives, insights and progress. This may be done during a portfolio construction meeting or via email. The detail of engagements is to be recorded, by company, number and type of issue (E, S or G), in the ESG register.

Principles for Responsible Investment Membership

The Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in integrating these factors into their investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

Tyndall AM Australian Equities is a signatory to the United Nations supported PRI. Tyndall AM Australian Equities joined the PRI in 2009 to demonstrate to clients the deep commitment to responsible investment and to measure its success relative to peers. The ability to compare Tyndall AM Australian Equities' process and outcomes to other signatories provides an assurance that the responsible investment effort is successful. Tyndall AM Australian Equities believes that taking a responsible approach to investment and applying the Principles leads to better long-term financial returns and fulfils the fiduciary duty to clients.

The six PRI principles provide a framework for Tyndall AM Australian Equities in implementing responsible investment into the investment process, engagement with companies and disclosure to clients.

The Principles

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