



Responsible Investment Policy

Document Control

a. Version Control / Revision History

This document has been through the following revisions:

| Version | Date of Approval | Remarks / Key changes / Reason for Update |
|----------------|-------------------------|--|
| 1 | March 2021 | Initial Version |
| 2 | April 2022 | Regular Review |

b. Authorisation

This document requires the following approvals:

| Authorisation | Name |
|----------------------|--------------------|
| Initial Version | Board |
| Revisions | Managing Directors |

Who we are:

Spheria Asset Management Pty Ltd ('Spheria', 'we', 'our' or 'us') is an active equity funds manager that uses fundamental research to pick stocks and build its portfolios. Spheria's focus is on listed companies which are outside the top 50 ASX index by market capitalisation and companies listed on the New Zealand Stock Exchange with an equivalent market capitalisation, as well as international equities. Spheria was established in April 2016; it is majority owned (60%) by associated entities of its investment team, with the remainder (40%) held by Pinnacle Investment Management Limited ('Pinnacle'). Pinnacle supports Spheria through the provision of distribution and infrastructure services.

Why we work on ESG:

Spheria believes that integrating Environmental, Social and Governance (ESG) research and engagement into our work helps to focus on companies' long-term risks and opportunities, allows a deeper understanding of their strategies, leadership teams and cultures, and ultimately leads to superior risk-adjusted returns for our portfolios. We believe that our ESG research and corporate engagement helps align our work to our clients' investment goals and helps address regulatory concerns with regards to long-term investment risks such as climate change.

How we achieve our investment goal:

Spheria aims to deliver strong returns for investors with lower risk. The investment team strives to do this by finding businesses that generate solid and predictable free cash flow due to a definable competitive advantage, and ultimately purchasing the underlying securities at a discount to the determined intrinsic value. Risk is assessed based on balance sheet strength relative to sustainable cash flow, with a preference for lowly geared businesses.

How we approach ESG and integrate it in our investment process:

ESG is integrated in the investment process at the stages of due diligence research, valuation, portfolio construction and review. Spheria has adopted an ESG scoring system that highlights six areas of enquiry split into 31 indicators. Portfolio candidates are evaluated against these indicators and the aggregate score affects the risk premium used to value each stock. An aggregate score is also calculated for the entire portfolio, giving the investment team the ability to assess how the introduction of a particular stock would affect the ESG profile of the portfolio as a whole. Each individual investment analyst is responsible for the ESG scoring of his or her stocks. A dedicated ESG resource provides support for that scoring, aggregates results and draws on external resources, when needed. It also facilitates Spheria's engagement work.

Why we engage with corporations and how we do it:

Corporate engagement complements our ESG work both as a way of reaching a more holistic understanding of an investment candidate and as a way of influencing corporate behaviour. Additionally, our ESG research helps us uncover which themes are the most relevant to focus on and where we can be most impactful in our engagement work.

Spheria identified early on that disclosure levels on ESG themes amongst the companies in its portfolios correlated inversely to their market capitalisation. Since it is hardly possible to discuss and analyse what is not disclosed, Spheria decided to consistently consider disclosure quality in its ESG research, scoring and corporate engagement.

It is often difficult to determine what changes happen as a direct result of corporate engagement and what occurs independently from it, and quantifying the changes is often challenging. Spheria concentrates on engagement actions with measurable outcomes. We disclose our ESG efforts in both research and corporate engagement to interested clients. Our ESG report can be found on our website.

How we vote:

Voting is an integral part of our ESG efforts. We vote on shareholders' resolutions for all our stocks. We take advice from Governance consultants but make our own assessment and final decision on how to vote, and we strive to exercise our voting rights in ways that minimise the risks and maximise the return on our investments. We are open to collaborative shareholder actions when they align with our investment goals and those of the ultimate asset owners. Our proxy voting policy can be found on our website <https://spheria.com.au>.

Our industry groups participation and policy disclosure:

Spheria has been a United Nations Principles for Responsible Investment (UNPRI) signatory since 2019. In 2020, we became supporters of the Task Force on Climate-Related Financial Disclosures (TCFD). This Responsible Investment Policy was approved by our Board in March 2021 and is published on our website: <https://spheria.com.au>.