Claremont Global

Environmental, Social & Governance (ESG) and Advocacy Policy

PRI Principles for Responsible Investment

riaa Responsible Investment Association Australasia

Claremont Global

Objective

The objective of this Policy is to set out the framework within which Claremont Funds Management incorporates environmental, social and corporate governance (ESG) principles into investment decision-making and ownership practices for the Claremont Global Fund (and its derivative strategies) (as outlined in **Appendix 1**).

Policy

1 Introduction

As an Investment Manager, we have a duty to act in the best interests of our investor cohort. As part of this duty, we recognise that ESG issues can – and do have – a significant impact on the long-term viability and success of an organisation, and in turn its corporate profitability, valuation and security price. Accordingly, we believe that actively considering ESG principles within our investment decision-making framework, and being active owners on issues related to ESG, is consistent with our obligations to investors.

2 ESG analysis & integration

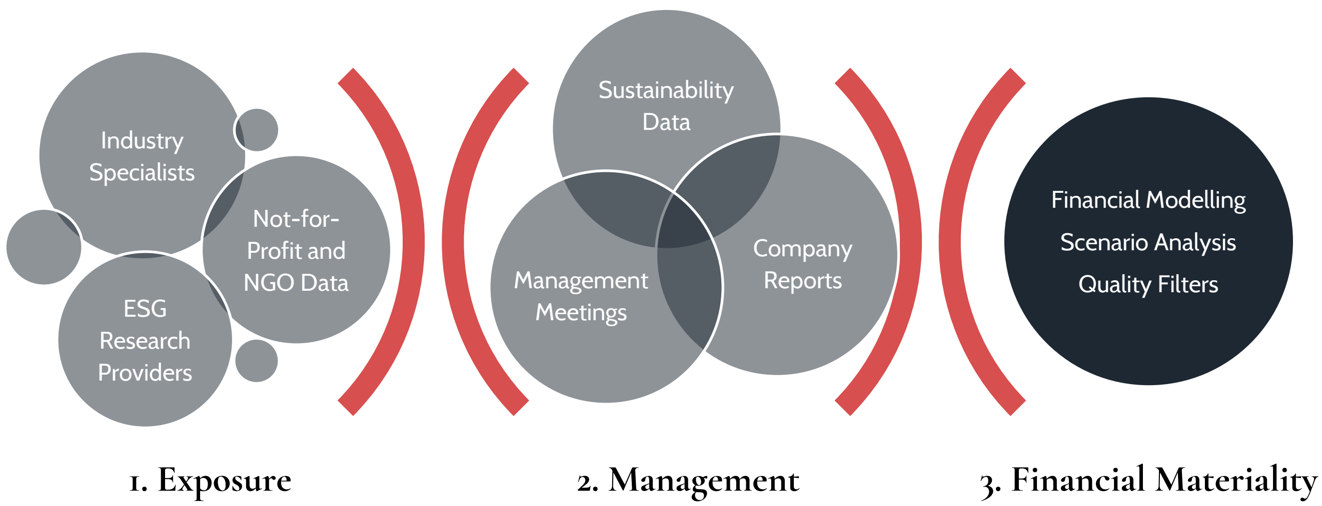
2.1 ESG integration

ESG is a broad term used to encompass issues traditionally viewed as 'non-financial' in nature. Environmental criteria generally examine an organisations performance as a steward of natural capital; social criteria considers the relationship between corporates and external stakeholders (such as employees, customers and suppliers); while corporate governance incorporates issues such as a company's oversight, incentive structures, internal controls, and transparency. While not an exhaustive list, **Appendix 2** outlines examples of such factors. We believe many of these issues individually, or in combination, can have a material impact on the risk and return characteristics of underlying investments.

We undertake and advocate for a *principles-based* approach to integrating ESG considerations into the investment process, recognising the often-complex nature of many ESG issues and unique operating aspects of each business we invest in. However, broadly speaking, our philosophical approach to integrating ESG data into our investment process is as follows:

1. **Exposure**: we develop an understanding of the primary ESG risks and opportunities an asset or organisation is exposed to;
2. **Management**: we consider how well an organisation is positioned to address and/or capitalise on the ESG risks and/or opportunities identified; and
3. **Financial materiality**: we assess the level of impact the identified, material, ESG risks and opportunities may have on organisational value, corporate earnings and the future prospects of an investment.

The following are examples of common tools and data sources utilised across this framework.



This philosophical approach forms part of our fundamental investment analysis and assists in decision making processes around acquisition, retention and realisation of investments. Given the unique nature of each investment, fluidity of financial markets, and the considerable variation in industries, organisational structures and operational practices that impact differing businesses, we adopt a *principles-based* approach and so do not have a predetermined view as to the extent to which ESG matters will be considered in the investment process. However, our commitment is to consider them, at a minimum, to the extent we deem them financially material.

To assist in different aspects of the ESG measurement processes, from time to time we will utilise external expertise in addition to our own fundamental research. This includes third party research, external consultants, and other specialist data providers. We make a commitment to review and monitor the ESG performance of each portfolio company on an annual basis, or more frequently as may be appropriate.

2.2 Investment exclusions

Our philosophy is that the best outcomes for investors can be achieved through mitigation and management of ESG risk, through detailed analysis and (where possible) corporate engagement, rather than simply blanket screening of certain classes of investments.

An exception to this approach will occur in certain circumstances where a company generates material revenues[1] from the production of goods that are directly harmful to human life, and that product – when used in accordance with recommended operating procedures – has either a high likelihood of harming others, or is in direct contravention of widely accepted international agreements. For the avoidance of doubt, explicit exclusions include:

1. Companies engaged predominately in the growing of tobacco or production of tobacco products. This includes nicotine alternatives such as e-cigarettes and delivery products.
2. Companies engaged predominately in the production of controversial weapons (limited to those meeting the below definitions):
    a. *Anti-personnel mines*: Those banned by the Ottawa Convention (1999);
    b. *Biological and chemical weapons*: Weapons outlawed by the Biological and Toxin Weapons Convention (1972) and the Chemical Weapons Convention (1993);
    c. *Cluster Munitions*: As defined by the Convention on Cluster Munitions (Oslo Convention) (2008) which prohibits the use, production, stockpiling and transfer of cluster munitions; and
    d. *Nuclear weapons:* As defined by the Treaty on the Prohibition of Nuclear Weapons (2017) which includes a comprehensive set of prohibitions on participating in any nuclear weapon activities.

3 Company engagement and advocacy

3.1 Company engagement

As part of our ongoing company monitoring and investment process, we regularly engage with management teams and their representatives. These engagements cover a broad range of topics relevant to corporate prospects, and regularly includes financially material ESG related matters, to help inform our financial modelling, valuation work and assessment of a corporation's value. Where possible, we also seek to engage with management where we have identified deficiencies, risks or opportunities on issues identified relating to ESG.

While we make a commitment to engage with companies on financially material ESG issues and disclosure, we also recognise that as a smaller investment firm there are practical limitations related to influencing management and driving availability and meaningful change. In this manner, we seek to balance our duties and focus in order of priority on issues we deem most pertinent to financial performance and corporate value.

3.2 Proxy voting

As active stewards of investor capital, we make a commitment to vote on all resolutions put forward by portfolio companies. We consider all issues on an individual basis – while we may consider proxy advisory groups to help inform our decision making on certain matters, we are not bound by recommendations from external recommendations.

[1] Claremont defines material as >20% of consolidated revenue over a 12-month period derived from such activities. To assess exclusions, Claremont utilises a range of sources including company reports and 3rd party specialist business involvement data (such as that provided by MSCI ESG and Sustainalytics).

4 Industry collaboration and insights

We are an active participant in the funds management industry and advocate for the broader benefits improved ESG practices can bring. These include:

- higher standards of business conduct;
- increased market efficiency;
- sustainable management of scarce resources such as natural capital; and
- improved outcomes for external stakeholders including employees, customers, suppliers and the broader community.

Demonstrating our commitment to responsible and sustainable investment, though our parent entity, we are a signatory to the United Nations Principles for Responsible Investment (UN PRI), the world's leading proponent of responsible investment. We are committed to incorporating into our organisation the PRI's six principles for responsible investment:

- Incorporate ESG issues into investment analysis and decision-making processes;
- Be an active owner and incorporate ESG issues into ownership policies and practices;
- Seek appropriate disclosure on ESG issues from entities in which investment occurs;
- Promote acceptance and implementation of the PRI within the investment industry;
- Work to enhance effectiveness in implementing the PRI; and
- Report on activities and progress towards implementing the PRI.

5 Ongoing reporting and transparency

Being a signatory of the UN PRI, we make a commitment to report publicly in regard to our progress on incorporating ESG into our organisation. We also seek to regularly report and make publicly available to investors a number of ESG related metrics including the outcome of proxy voting practices, aggregate portfolio performance and other ad-hoc ESG related matters pertinent to each of our individual strategies via communications pieces distributed to investors and published on our website.

This Policy is reviewed annually or more frequently as required to ensure that it remains current.

Version: 1.20

Last review date: September 2023

Claremont Global

Appendix

Appendix 1

This policy is intended to cover the management of the following equity strategies:

Listed Equity Strategy
Claremont Global Fund
Claremont Global Fund (Hedged)

Appendix 2

Examples of ESG related matters considered (among others):

Environmental ('E')	Social ('S')	Governance ('G')
Biodiversity and land use	Community relations	Accountability
Carbon emissions	Corporate Culture	Board independence and oversight
Climate change risks	Diversity and gender equality	Board structure and size
Energy usage and efficiency	Health and safety	Conflicts of interest
Raw material sourcing	Human capital management	Incentive structures and alignment
Waste and recycling	Human rights and modern slavery	Management and board quality
Water management	Product quality and safety	Ownership structure
Weather events	Privacy and data security	Transparency and disclosure

Important information