

# Environmental, Social & Governance (ESG) and Advocacy Policy

## 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

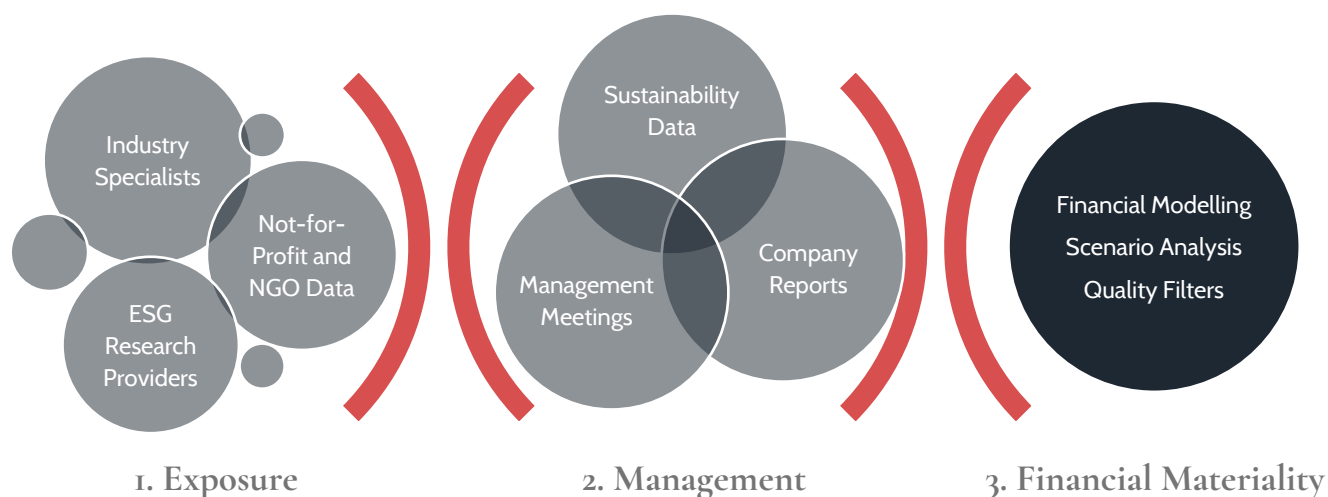
#### 2.1 ESG integration

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;
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<sup>1</sup> 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.
  - 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.

We are open to stewardship collaborations on a case-by-case basis to enhance the efficacy of our engagement. Our activities are still prioritised based on materiality, where issues significantly impact financial performance and corporate value.

<sup>1</sup> 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).

## 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. **Appendix 2** outlines examples of ESG related topics that are considered in proxy voting activities, where deemed material.

## 3.3 Stewardship Escalation

When the investment team identifies a material issue impacting shareholder value, stewardship escalation steps may apply. Following internal identification, research, and deliberation, escalation steps include direct company engagement (3.1), exercising Proxy Voting rights (3.2), and may include eventual divestment if issues remain unresolved and management actions are deemed unsatisfactory.

## 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, through 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;
- 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: 1.30**

**Last review date: July 2024**

## 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

While all ESG related matters are considered on an individual and materiality basis, the following are examples (among others) of considerations within the investment due diligence, company engagement and proxy voting processes.

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

This report has been prepared by Claremont Funds Management Pty Ltd (Investment Manager) (ACN 649 280 142, ABN 38 649 280 142, CAR No. 001289207), as investment manager for the Claremont Global Fund (ARSN 166 708 792) and Claremont Global Fund (Hedged) (ARSN 166 708 407), which are together referred to as the 'Funds'. Equity Trustees Limited (ACN 004 031 298, AFSL 240957) ("Equity Trustees") is the Responsible Entity of the Funds. For further information on the Funds please refer to each Fund's PDS and Target Market Determination which are available at [www.claremontglobal.com.au](http://www.claremontglobal.com.au). This report may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs. Past performance is not a reliable indicator of future performance. Future performance and return of capital is not guaranteed. The information may be confidential and is intended solely for the addressee. If you are not the intended recipient, any use, disclosure or copying of this information is unauthorised and prohibited. If you receive this e-mail in error please notify the sender and delete the e-mail (and attachments). This report may contain statements, opinions, projections, forecasts and other material (forward-looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. The Investment Manager and its advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of them) (Parties) do not make any representation as to the accuracy or likelihood of fulfilment of the forward-looking statements or any of the assumptions upon which they are based. Claremont Funds Management Pty Ltd is a wholly owned subsidiary of E&P Financial Group Limited (ABN 54 609 913 457), a signatory to the United Nations Principles for Responsible Investment (UNPRI). Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and the Parties assume no obligation to update that information. The Parties give no warranty, representation or guarantee as to the accuracy, completeness or reliability of the information contained in this report. The Parties do not accept, except to the extent permitted by law, responsibility for any loss, claim, damages, costs or expenses arising out of, or in connection with, the information contained in this report. Any recipient of this report should independently satisfy themselves as to the accuracy of all information contained in this report. MSCI indices source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representation with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.