Step 1: Identify

Identify the relevant ESG issues for Investee Company including sector and company specific issues. This process also includes the consideration of dominant events and global trends which may have a short, medium or long-term impact on future earnings or competitive positioning. Sources of information can only include publicly available data not limited to the following: Carbon Disclosure Project, CDP water disclosure Project, Company sustainability reports/integrated reports, Broker Thematic research, Bloomberg Sustainability factors, Industry reports, Internal reports, Internal ranking tables, Credit agency reports, Impact reporting investment standards and the Media.

Step 2: Assess

Assess the materiality of key ESG issues for the Investee Company. (e.g. benchmark data to gauge the Investee Company’s exposure to material ESG issues when compared to its peers in the sector).

- Company-level ESG analysis is conducted by Ashburton’s sector specialists as part of identifying and proposing companies for investment.
- ESG risk and performance factors related to the company’s operation are considered.
- ESG considerations are incorporated when evaluating new investments and monitoring existing investments.
- Changes in ESG performance are monitored and compared with changes in financial performance.
- Ashburton engages with existing and potential investee companies on opportunities for ESG performance improvement over the investment period.
- Asset allocation and weightings are adjusted to ensure effective management of risk and performance in the investment portfolio following engagements that are not satisfactory.

Step 3: Model

Integrate and forecast the impact of material ESG issues in the company quality score card

- Identify and score the material ESG issues
- Incorporate the related scores in the financial models to assess the level of impact/ quality score card
- Document both the Qualitative and Quantitative ESG Factors

Step 4: Direct Engagement & Proxy Voting (Active Ownership)

Use the findings from the above analysis to engage with senior management.

- Communicate key ESG risks, opportunities and potential financial impacts directly with management.
- Document the meeting minutes related to these issues
- Monitor the company’s response to any issue raised
o Monitor the company's ESG performance over a period of 6-12 months
o If the company is proactive in handling ESG risks to the satisfactory of the Analyst, then no action required
o If the company isn’t proactive and doesn’t provide feedback that is satisfactory to the Analyst, weightings will be adjusted to manage and balance risk in the portfolio
o Exercise the right to vote on shares at AGM’s and continue to engage companies

The Cycle of Active Ownership

- Identify
- Assess
- Engage
- Model

Identify any issues that may arise
Asses the significance of the issues
Engage and Review Weightings
Integrate ESG Scores in model
# ESG factors (Sector specific)

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Greenhouse-gas emissions</td>
<td>✓ Inequality</td>
<td>✓ Board independence</td>
</tr>
<tr>
<td>✓ Energy usage</td>
<td>✓ Transformation &amp; diversity</td>
<td>✓ Audit committee/Auditor independence</td>
</tr>
<tr>
<td>✓ Water usage</td>
<td>✓ Health &amp; safety</td>
<td>✓ Executive compensation</td>
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<tr>
<td></td>
<td>✓ Employee &amp; community development</td>
<td>✓ Board meeting attendance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Voting rights</td>
</tr>
</tbody>
</table>

**Diagram:**

- **Environmental**
  - Greenhouse-gas emissions
  - Energy usage
  - Water usage

- **Energy usage**
  - Transformation & diversity
  - Health & safety
  - Executive compensation
  - Board meeting attendance
  - Voting rights
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