

Avenir Capital ESG Policy

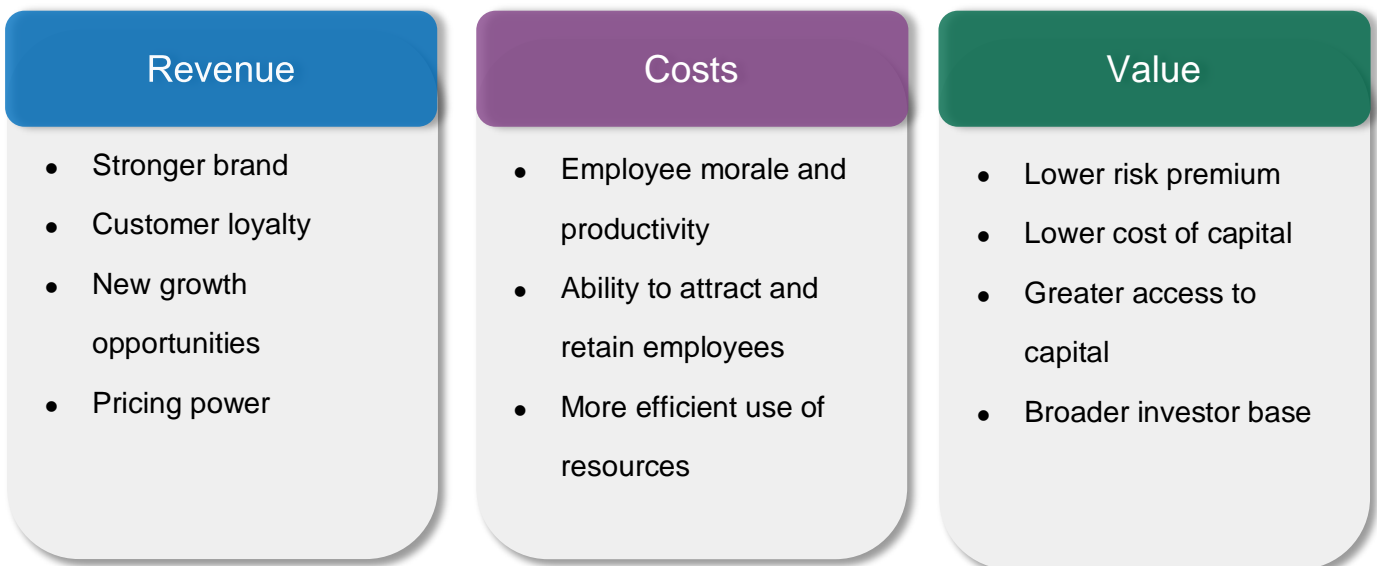
Avenir Capital (Avenir) believes that ESG issues have the potential to impact investment risks and returns and that considering these issues alongside traditional factors in investment decisions, can improve long term risk-adjusted returns.

Avenir's investment strategy centres around a private equity mindset, which in practice means it invests with a long-term time horizon and runs a concentrated portfolio. Avenir assesses its investments as if it is buying the whole company. This makes the consideration of ESG issues particularly important to its investment strategy as it recognises that the longer the investment time-frame, the greater the impact that ESG issues are likely to have on a company's underlying value. Avenir has therefore made the systematic assessment of ESG considerations an integral part of its investment process. Avenir believes this is necessary for the effective management of investments for the long-term and to deliver superior investment results for its clients.

Avenir's investment philosophy is focused on a concentrated and long-term investment orientation. Avenir's investment focus is not confined to the short-term financial performance of a company. Avenir expects its portfolio companies to become stronger and more valuable over time. A concern for their long-term sustainability is central to what Avenir does. Avenir believes over the long term a company's operations are unsustainable if they cause irreparable damage to the environment, workplace or end consumers, and we will not knowingly invest in such companies.

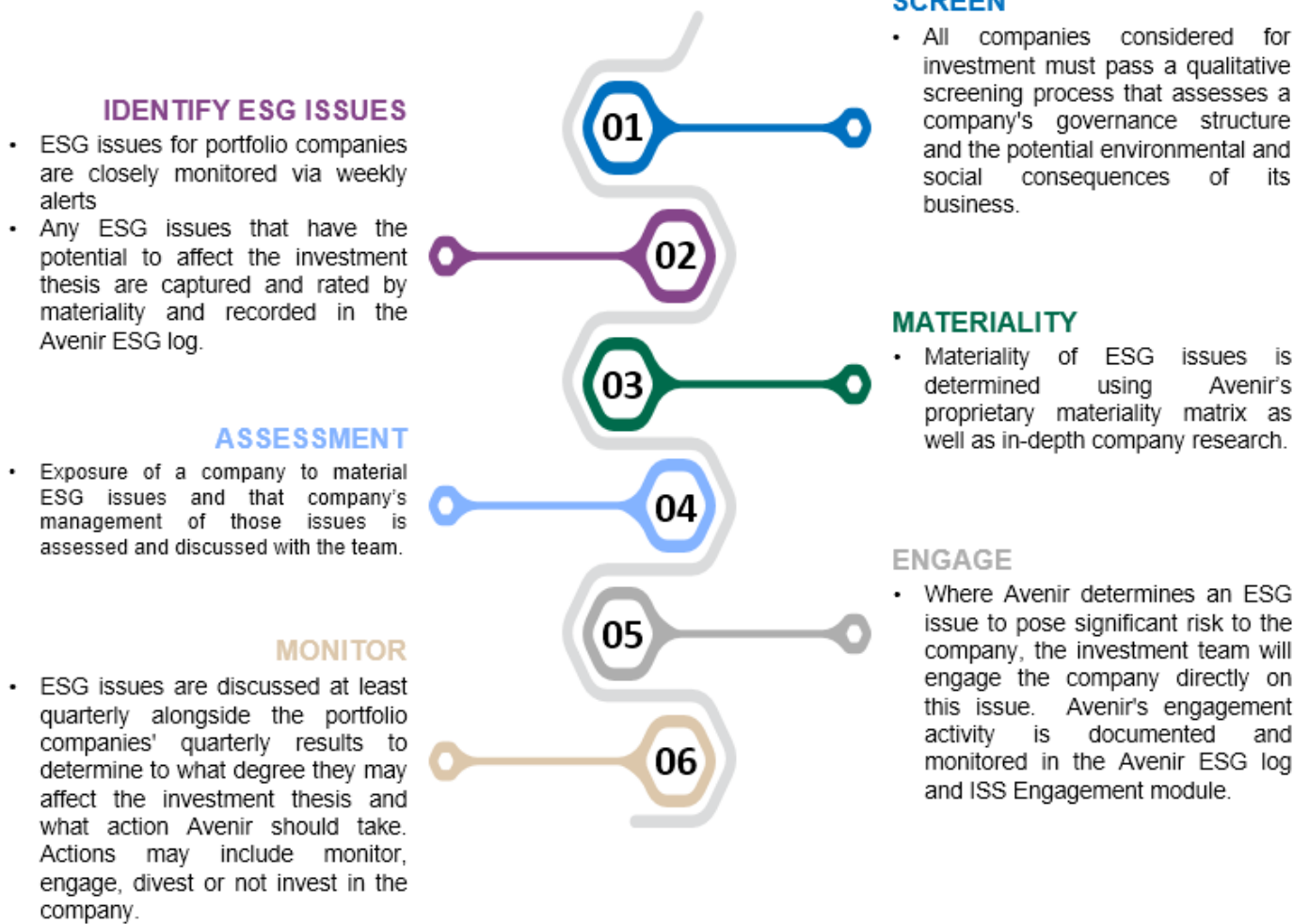
ESG Integration

Avenir believes that sound ESG management at investee companies can lead to potential benefits such as:



The integration of ESG issues into the Avenir investment process is an ongoing, long-term commitment and it is expected that this Policy will evolve over time to reflect any changes to approach and business practice.

Assessment of ESG factors is a core component of Avenir's investment process. Avenir integrates ESG in the following ways:



ESG Factors

Avenir recognises that ESG encompasses a broad range of issues which may have material impact on the risk and return of its investments. As such, Avenir believes that ESG considerations are integral to the investment decision process in order to manage investments for the long term. ESG is explicitly considered and assessed as part of the Avenir's investment decision-making process.

ESG factors that may be taken into consideration by Avenir in its investment process include, but are not limited to, the following:

Environmental

- Climate change
 - Impact on local environment and risk management
- Carbon intensity and consequent exposure to carbon pricing
 - Water supply and management
 - Waste disposal
 - Pollution and contamination,
- Natural resource use and degradation
- Energy use and renewal energy generation.

Social

- Corporate culture and conduct
- Occupational health and safety
- Human rights and child labour
- Workplace relations and working conditions
- Community impact and engagement
- Workplace diversity and supply chain management.



Governance

- Conflicts of interest
- Shareholder's rights
- Bribery and corruption
- Employee remuneration
- Board independence and diversity
- Corporate accountability and compliance

Materiality

Avenir acknowledges that not all ESG factors will be relevant to all investments. As such, Avenir incorporates material ESG factors into the fundamental analysis of each company it includes, or is considering for inclusion in, its portfolio.

Avenir determines materiality by considering which ESG risks and opportunities the industry is most exposed to as well as any ESG risks and opportunities specific to the company itself. A material ESG risk is one which can have a significant impact on the valuation of a company, if not well managed.

Special ESG considerations

Climate Change

Avenir subscribes to the scientific consensus that carbon dioxide in the atmosphere, predominantly as a result of human activity, has led to global warming with consequent changes in our climate. There has been a global move to reduce carbon emissions worldwide. The Paris Agreement, ratified by 195 countries, outlines country-specific targets for reducing carbon emissions. Avenir believes that uncertainty surrounding both the physical changes in our climate as well as the policy response around the transition to a low carbon economy can pose a risk to our investments across all industries to varying degrees. Equally, there will be companies that benefit from such a transition. As such, Avenir considers the physical and transition risks and opportunities of climate change as part of our fundamental analysis.

Physical risks can involve the increased frequency and severity of extreme weather events such as drought, flooding, hurricanes, heatwaves and rising sea levels. Transition risks include the risk of regulation around carbon emissions such as the introduction of a carbon tax, both within Australia and globally, which may affect demand for exports, the development of new technologies which are more aligned with a low carbon world as well as changing consumer preferences for low emission/energy efficient products.

Opportunities arise out of companies that develop technologies or solutions to deal with the physical aspects of climate change as well as those companies that are better prepared and less exposed to the negative effects of a transition to a low carbon economy. We consider all investee companies through this lens in our fundamental analysis.

We encourage the companies we invest in, or are considering for investment, to assess and disclose their exposure to climate-related financial risks, adopting where possible the framework set by the Taskforce for Climate-Related Financial Disclosures (TCFDs).

Modern slavery

Avenir recognises that modern slavery, as well as being a serious ethical concern, can also pose a financial risk to businesses both from both a reputational perspective and from a disruption to their supply chains. Avenir recognises that, although less common, there are still instances of modern slavery globally particularly in high risk industries such as textiles, financial services (through their supply chains), mining, construction, property, food and beverages, agriculture, and healthcare. When analysing companies in these higher risk industries Avenir will do additional due diligence to ensure the company has appropriate policies in place to manage these risks and treats its employees fairly. With companies that have supply chains in high risk regions overseas we take a similar approach, ensuring that the investee company has awareness of the risks of modern slavery within its supply chains and has policies in place to mitigate these risks.

Gender diversity

Research has shown that companies with higher gender diversity on their boards had higher financial performance and were associated with lower variability of stock market returns. Avenir believes that greater gender diversity (as well as other forms of diversity), reduces the risk of groupthink and leads to greater diversity of thought. This can reduce risks and boost performance in investee companies. As such we consider the number of females on boards as part of our governance assessment. Through our engagement activity, we also encourage our investee companies to improve the gender balance of their boards.

Engagement

As an investment manager, Avenir takes its ownership responsibilities seriously as it believes the right to vote as proxy is an important asset. Avenir's primary objective when voting will be maximising the value of its funds and our client's investments. This will include voting on material ESG issues that may affect company value.

Sources of ESG information

Avenir obtains information relevant to ESG factors from the following sources:

- Avenir's proprietary research
- Broker research
- External ESG data provider
- Company sustainability reports
- Media

Ongoing monitoring of investments

Companies within Avenir's portfolios are reviewed on an ongoing basis but at a minimum once year, or as needed based on new information. This ongoing assessment involves review of material existing or emerging ESG factors that may affect the value of the company.

Responsibility for ESG integration

Avenir is a boutique investment manager with a handful of staff, fully focused on investing. Avenir approaches ESG as an important input in its investment process which must be assessed alongside financial and other factors in order to make a determination on a company's suitability for inclusion in its portfolio. In order to do this, all investment staff must be aware of potential risks and opportunities to an investment, including ESG factors, and hence all staff are responsible for incorporating ESG in investment decisions.

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