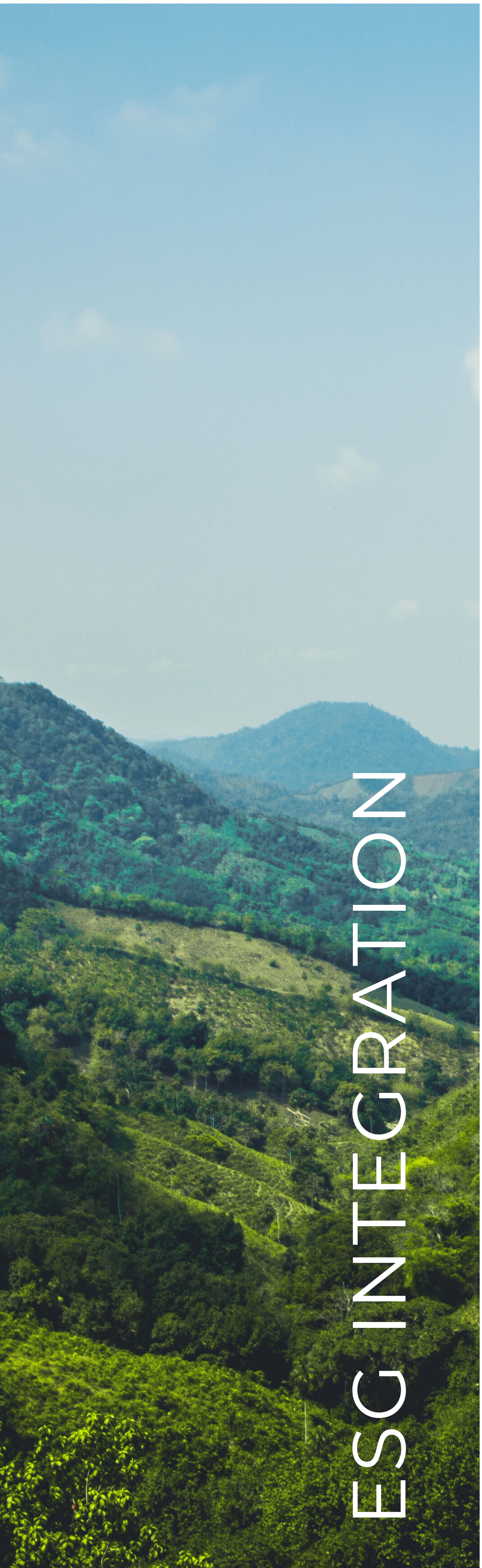
CLIMATE SUSTAINABILITY PORTFOLIO

ESG METRICS & PRODUCT INVOLVMENT CRITERIA

SEPTEMBER 2021



ESG INTEGRATION

We at Value Investment Partners are dedicated to integrating environmental, social, and governance considerations into as many of our portfolio offerings as possible. They are applied to the portfolios in two distinct ways, either as a consideration in the overall investment process or as an investment mandate for our ethical themed investment products. Although the influence of the considered ESG risks vary across portfolios and asset classes, the fundamental risks assessed are consistent across our product offerings.

ENVIRONMENTAL | SOCIAL | GOVERNANCE

The categories of ESG considerations have differing qualifications depending on portfolio and asset class and are reviewed on a quarterly basis and/or a needs basis if the committee deems it necessary in the event of changing industry or regulatory expectations. Aside from our monitoring of direct equities, underlying managers are expected to adhere to their ESG policies, which we review on an annual basis to ensure that the manager continues to conduct themselves within our expectations.

These reviews are after the fact that we have previously established that the managers ESG and responsible investing policy aligns with our believes on the subject. For ethical themed investments we review quarterly to ensure that the underlying managers continue to be affiliated with responsible investing associations and have their products certified by relevant organisations.

DEEP DIVE INTO OUR BELIEF OF "ETHICAL"

At Value investment Partners we understand that the term ‘ethical’ means different things to different people which is why it is important for our investors to understand what our ethical compass is that guides us to make decisions on potential investments.

At it is core we distil ethics to a simple dichotomy to whether an action or activity is right or wrong. We understand the complexities with declaring something is right and wrong but we believe it is observable in our Australian community that people understand in principle what society accepts as something morally right or morally wrong. These unconscious beliefs throughout the Australian community form social expectations of right and wrong based on principles of reciprocity, kindness, mutual respect, and fairness. Going beyond legal obligations of a firm which has been defined through a governing framework as right and wrong we believe that behaving ethically is to take the next step in assessing one’s activities as to whether you are doing more harm than good through your operating activities.

To give some colour to this we have provided below some examples to get an understanding on how we would implement this understanding of morally wrong:

- A company that is producing tobacco products is not doing anything legally wrong but by taking advantage of a person’s addiction and supplying a product that is extremely harmful to one’s health is not the right thing to do and is morally wrong.
- A company that produces chemical weapons or nuclear weapons within the confines of the law is not legally wrong but by creating weapons of mass indiscriminate destruction that have the power to destroy cities is not objectively right and is morally wrong.
- Conscious of the health impact and destruction of the world’s climate via the unconstrained mining and burning of thermal coal, companies that conduct these activities are not doing anything legally wrong if they operate within the confines of the law but are grossly contributing to the degradation of our environment. We believe that it is morally wrong to do something knowing full well of the outsized negative impact that your business activities are having on the environment.

DEEP DIVE INTO OUR BELIEF OF "ETHICAL"

To give some more understanding to this we have provided below some examples as to get understanding on how we would implement this understanding of morally right:

- Companies that have gone beyond policy expectations in Australia and implemented aggressive strategies of net zero and energy intensity reductions are doing more than expected by the law because of the benefit it has to the community and environment. These activities are morally right.
- Companies that are investing heavily in the technologies, services, and infrastructure required for a successful transition to the green economy are going out of their way to improve our chances of tackling one of the worlds greatest existential threats. This is morally right.
- Companies that go beyond basic fair work expectations and attempt to achieve greater workforce diversity, ensure no human rights abuses in their supply chain, and engage with the community through outreach and charity programs are going above expectations set by legal framework to do the right thing.

These are but a few examples of how we apply our understanding of morally right and wrong. To ensure we do not stray from our stated beliefs there are criteria that define our framework for approaching investment. The more quantifiable criteria are included in this report and the more qualitative principles-based components are contained within our Responsible Investment Policy. Over the years these criteria can adapt to reflect emergent changes in expectations whether by regulatory changes or evolution in social dialogue and community movements. There is key focus on transparency at Value Investment Partners and prioritisation of client communication, any potential adjustments will be made known well in advance to our investors and will always be consistent with our core principles outlined in our Responsible Investment Policy.

ESG CONSIDERATION	OUR DEFINITION	OUR CRITERIA
Carbon Emissions - Own Operations	This metric considers the company's management of risks relating to its own operational use of energy but excludes any consideration to the energy consumption of supporting businesses along its supply chain.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **4**.
Carbon Emissions - Products & Services	This metric considers the company's management of risks relating to the energy use of the company's products or services while being used but excludes any consideration to financial services industry.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **3**.
E&S Impacts of Products & Services	This considers the management of risks associated with the environmental and social impact of a company's products and services. This considers the life cycle of the product or service when assessing the management of this ESG risk.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **4**.
ESG Integration - Financials	This metric includes all ESG related risks and activities of financial institutions including concerns such as the institutions assets, direct investments, financing activities, and investments made on behalf of clients.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **5**.
Emissions, Effluents, & Waste	This metric considers the management of emissions and releases from the company's operations into the environment. But not considering scope 1 and scope two carbon emissions.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **4**.

ESG CONSIDERATION	OUR DEFINITION	OUR CRITERIA
Land Use & Biodiversity	This metric focuses on the management by companies on their impact on the physical environment around them within the scope of their operating activities.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **3**.
Supply Chain Land Use & Biodiversity	This metric focuses on the management by companies on their impact on the physical environment around them within the scope of their suppliers' activities.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **3**.
Resource Use	This metric assessing how efficiently a company uses it raw material inputs and how it manages the associated ESG risks but excludes energy related risks.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **2**.
Supply Chain Resource Use	This metric assessing how efficiently a company's suppliers use their raw material inputs and how it manages the associated ESG risks but excludes energy related risks.	Score from 0 – 10 (with 10 being the highest risk) calculated by our third-party provider using their proprietary ratings system. For our portfolio the highest tolerated risk in the quantitative screen is **1**.

PRODUCT INVLOVEMENT	DEFINITION AND EXCLUSION CRITERIA
Animal Testing	Companies are not to have any involvement measured by revenue contribution in the use of animal testing in the development of pharmaceuticals, no ownership of an entity that conducts animal testing for development of pharmaceuticals, no use of animals in the process of developing non-pharmaceutical products, and no ownership of an entity that conducts animal testing for development of non-pharmaceutical products.
Controversial Weapons	Companies are not to have any involvement measured by revenue contribution in the development of tailor made and essential weapons or weapons components that can be used for mass destruction such as nuclear or chemical weapons and have no ownership of an entity that conducts business in the development of tailor made and essential weapons or weapons components that can be used for mass destruction. Companies are not to have any involvement measured by revenue contribution in the development of non-tailor made and non-essential weapons or weapons components that can be used for mass destruction such as nuclear or chemical weapons and have no ownership of an entity that conducts business in the development of non-tailor made and non-essential weapons or weapons components that can be used for mass destruction.
All Oil & Gas Exploration	Companies are not to have any involvement measured by revenue contribution in the exploration, production, refinement, transportation or storage of oil and gas and have no ownership of an entity that conducts business in the exploration, production, refinement, transportation or storage of oil and gas. Companies are not to have any involvement measured by revenue contribution in the support of businesses that operate in the exploration, production, refinement, transportation or storage of oil and gas and have no ownership of an entity that support businesses that operate in the exploration, production, refinement, transportation or storage of oil and gas. Companies are not to have any involvement measured by revenue contribution in the generation of electricity with the fuels of oil and gas measured by either revenue contribution or generation capacity and have no ownership of an entity that generates electricity with the fuels of oil and gas measured by either revenue contribution or generation capacity.

PRODUCT INVLOVEMENT	DEFINITION AND EXCLUSION CRITERIA
Military Contracting	Companies are not to have any involvement measured by revenue contribution military contracting for the provision of weapons and have no ownership of an entity that conducts business in military contracting for the provision of weapons. Companies are not to have any more than 25% of revenue generated from military contracting for the provision of weapon related and non-weapon related products and have no ownership of an entity that conducts business in military contracting for the provision of weapon related and non-weapon related products.
Tobacco Products	Companies are not to have any involvement measured by revenue contribution in the production of tobacco products, no ownership of an entity that conducts business in the production of tobacco products, no involvement measured by revenue contribution in the production of tobacco related products, no ownership of an entity that conducts business in the production of tobacco related products and can only have up to 5% of revenue attributed to the retail sale of tobacco products.
Pesticides	Companies are not to have any involvement measured by revenue contribution in the manufacture and production of pesticides, to have no ownership of an entity that engages in the manufacture and production of pesticides and can only have up 10% of revenue generated from the retail sale of pesticide products.
Thermal Coal	Companies are not to have any involvement measured by revenue contribution in the extraction of thermal coal, no ownership of an entity that conducts business in the extraction of thermal coal, no involvement measured by revenue contribution in the generation of electricity using thermal coal as the fuel source and no ownership of an entity that conducts business in the generation of electricity using thermal coal as the fuel source.
Overfishing	Companies are not to have any involvement measured by revenue contribution in recognised overfishing activities and no ownership of an entity that conducts business in in recognised overfishing activities.

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