



VALUE INVESTMENT PARTNERS

RESPONSIBLE INVESTMENT POLICY

SEPTEMBER 2021

An aerial photograph of a coastal city, likely Sydney, Australia, showing a dense urban area with a mix of residential and commercial buildings. The city is situated along a coastline with a prominent beach and turquoise water. The text 'POLICY SCOPE & FIRM BELIEFS' is overlaid vertically on the right side of the image.

POLICY SCOPE & FIRM BELIEFS

Value Investment Partners is soon to reach a decade of servicing our clients and facilitating the achievement of their financial goals. Over those years we not only have achieved this through strong absolute returns in all of our product offerings but strived to improve the firm's operations, procedures, and policies so we can continue to service new and existing clients with improved experiences. This policy is the next step in the firm providing exceptional service and communication to its clients.

We have a clear set of beliefs as investment professionals and our vision is to protect and create wealth for our investors by proactively managing portfolios of transparent, well managed, easy to understand, and undervalued investments, all of which follow a rigorous investment management process that aims to protect wealth and minimise investment risks in volatile times. Core to this objective is the belief that the investments that meet our requirements to achieve long term wealth creation and protection are those which are managed well and run responsibly. Although this is how we have conducted ourselves as an investment manager over the last decade, it is not until now that we have formalised our approach to responsible investing based off the success of our responsible investment management process employed over the last decade.

The policy statement details the responsible investing practices which have been an intrinsic part of the investment process since the firm's inception, as well outlining the new policy measures that are being integrated into our investment approach for all products. Particular attention will be paid to new theme-based investment products with investment objectives and mandates founded in ESG principles. The purpose of this policy statement is to inform our investors and stakeholders of the implementation of defined responsible investment practices firm wide although with varying criteria and acceptable levels of expectation within asset classes and portfolios.

This policy statement covers the investment governance with relation to responsible investing and environment, social, and governance (ESG) frameworks and should be considered in the context of our governance and charter documents. The approach to responsible investing undertaken by the firm is outlined within these components:

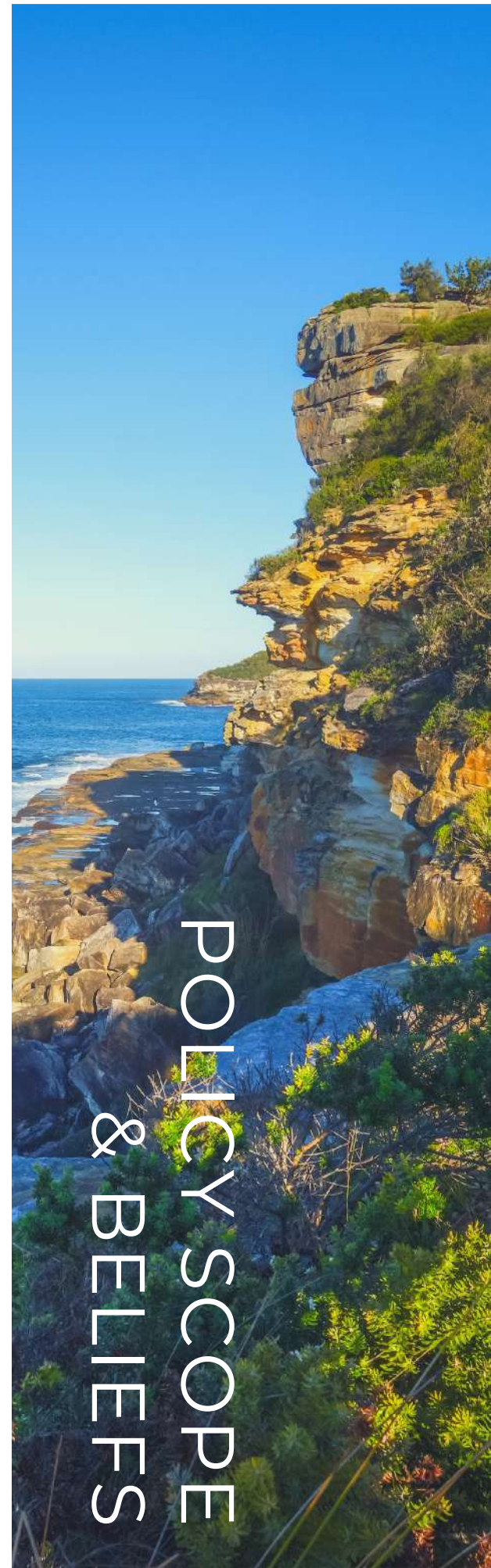
- Our Definition of Responsible Investment
- Our Alignment with the UN Sustainable Development Goals
- ESG Intergration
- Our Response to Climate Change
- Exclusions
- Active Ownership
- Policy Governance
- ESG & Responsible Investing Reporting

Value Investment Partners does invest directly in select Australian equities investments with some exchange traded funds for passive market exposure if it is tactically appropriate but for the firms fixed income and international investments, we combine specialist investment manager funds into the portfolio. This policy statement sets out the framework for responsible investing in relation to both direct investments and indirect investment through managed funds.

Our Beliefs on Responsible Investing

We believe that the key to consistent long term returns with lower levels of volatility comes from investments in companies that are best in class extending not just to profit margins and turnover but to management, customer relationships, and corporate social responsibility.

Applying an overarching ESG policy to investments facilitates the selection of those companies who are best prepared to overcome risks that are difficult to quantify and predict but pose a significant threat to that businesses activities. This leads to a more comprehensive management of risk and enhances capital management.





OUR DEFINITION OF RESPONSIBLE INVESTMENT

There is no single way to define responsible investing, but for us as a firm, we believe that responsible investing is to have a holistic approach to investments. We believe that companies that understand their role in the community and advocate for a best practice approach to their business operations, as well as with how they conduct themselves in matters regarding the community, generate long term excess returns for investors.

Hence, in our assessment of an investment we consider these aspects along with the profit and loss, for we believe that these risks have material long term influence on a company's earnings and its ability to maintain being a market leader.

A responsible investment is thus in companies and assets that have considered environmental, social, and governance risks associated with their businesses, and proactively implemented policies and measures to both reduce those risks on their business and minimise their contribution to the ESG issues affecting their community.

Value Investment Partners believe we can contribute to the success of the following United Nations Sustainable Development Goals, not only in the way we act as a company, but more importantly, how we invest our clients capital, supporting companies that are contributing to the outcome of these goals whether directly or indirectly.

5 GENDER
EQUALITY



7 AFFORDABLE AND
CLEAN ENERGY



8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



11 SUSTAINABLE CITIES
AND COMMUNITIES



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



ALIGNMENT
WITH UN SUSTAINABLE
DEVELOPMENT GOALS

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 beliefs 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.

ENVIRONMENTAL



Carbon Emissions



Land Use



Resource Consumption



Effluents, Waste, & Pollution



Biodiversity

SOCIAL



Ethical Business
Practices



Community
Engagement



Promotion of
Human Rights &
Equality



Employee Welfare

GOVERNANCE



Corporate
Governance



Anti-Corruption &
Anti-Bribery Policies



Company & Customer
Data Security



Management of
Stakeholders



KEY ESG
CONSIDERATIONS



SUSTAINABILITY THEMES ON ASSET CLASSES

We believe that giving investors exposure to companies who are considering the long-term potential impacts of environmental, social, and governance risks to their businesses and their industry group is part of long-term capital protection and risk management. Because many ESG risks pose material threats to the future of a business's profitability but have a low probability of eventuating, we believe that seriously considering these risks as part of managing tail risk exposure of our investments.

Along with our ethical themed portfolios which are designed to give clients exposure to "pure-play" sustainable investments with companies that are supporting or even pivotal to the transition to a green economy, the firm applies a broader sustainable investing philosophy to all asset classes. We focus on appropriately tailoring our assessment of ESG issues across different asset classes with respect to available information and overall effect on the responsible investment profile of the portfolio.

	Availability of ESG Information	ESG Relevance To Portfolio Profiles
Cash & Cash Equivalents	Low	Low
Fixed Interest Investments	Low	Medium
Private Equity	Medium	Medium
Listed Real Estate Investment Trusts	High	High
Listed Companies	High	High

Cash & Cash Equivalents

There is not a lot of information about cash investments nor do they have a big impact on a portfolio's responsible investment profile. Regardless, we assess the cash investment on how the financial institution supports the community and their employees, how they have adjusted their business lending practices to companies whose operations have a material impact on the environment, and the institutions' fair lending practices.

Listed Real Estate Investment Trusts

When assessing ESG issues for listed property trusts, we make use of the same process applied to listed companies, but we can also assess for the development of environmentally friendly spaces, investment in urban revitalisation, use of sustainable construction products, and job creation through large projects.

Private Equity Investments

Selected underlying managers to undertake the firm's private equity investments are expected to consider ESG risks when assessing a business and apply an appropriate discount on the value of potential investments for those risks. There is not as much information available in this space that extends the management team and an understanding of the industry they participate in, we expect our private equity managers and analysts to assess ESG risks as a key part of their risk management processes.





ASSET CLASS CONSIDERATIONS

Fixed Interest Investments

Apart from investing specifically in social impact bonds or climate bonds, because many fixed interest investments are to either governments or corporations, we can assess how the companies or governments are acting and infer support of such activities through debt financing. Concerning government and semi-government bonds, as they mainly raise debt for the provision of public goods and services, they are inherently responsible investments. The assessment of corporate debt is conducted by looking at the underling company from an ESG perspective to identify whether they are acting responsibly with regard to ESG issues the business may contribute to.

Listed Company Investments

These companies which represent the largest portion of a balanced investment have the greatest impact on ESG issues within the community aside from a government, and hence receive our most attention when ensuring that we continue to invest responsibly. Some of the larger issues that are deeply considered when assessing listed companies include; their contribution to climate change, the companies attitude to fair and equal work environments, opportunities given to their employees, and how the company views its responsibilities to the broader community which it inhabits.

Due to our size it is often difficult to make a meaningful impact on companies that are conducting themselves in a way that we believe are harmful to the planet or the community, whether that be through their business activities or what the company advocates for. As a result, it is necessary, in those cases described, that we exclude that types of businesses from being invested in. The factors influencing whether we would make a business or group of businesses excluded from our portfolios include, but are not limited to; risk management, alignment of investor values with company behaviour, adhering to public policy, and the potential for material negative impacts on returns.

We use a combination of external and internal research to identify product involvement by companies and operating activities that do not adhere to the factors outlined. This also includes assessment of holdings for underlying managers, when they come available, to ensure that our clients are not indirectly exposed to the types of companies or industry groups which we have identified as exclusions. Due to the delay of disclosure of underlying manager holdings there is often be a delay for us to take appropriate action in the event they invest in excluded businesses.

The exclusions at a firm level are:



ANIMAL
TESTING



CONTROVERSIAL
WEAPONS



MILITARY
CONTRACTING*



TOBACCO
PRODUCTS*



ARCTIC OIL & GAS
EXPLORATION



EXCLUSIONS ON THEMED INVESTMENTS



ANIMAL
TESTING



CONTROVERSIAL
WEAPONS



MILITARY
CONTRACTING*



TOBACCO
PRODUCTS*



ARCTIC OIL & GAS
EXPLORATION



PESTICIDES



OIL & GAS
EXPLORATION



THERMAL
COAL



OVER
FISHING

Conditions of Exclusion

All of the exclusions aside from two are excluding companies which generate any revenue identified within each category.

**There are circumstances in these exclusions outlined in the 'ESG Metrics & Product Involvement Criteria' documents where a company may have a particular exposure above zero.*

These exclusions and the condition of exclusion will adapt as more data becomes available with companies being more transparent concerning sources of revenue and subsidiary business activities. Intentions to divest or remove impact (such as carbon neutral targets) can influence the investment decision at the discretion of the manager in a way that is upholding of the principles outlined in this document.

Value Investment Partners believes that climate change is a major systemic risk, one which not only has serious implications for people and the environment but will have major financial impacts. These impacts will come from a variety of sources, some more predictable than others. Some of these impacts will be the cost of physical damage to the community, others the destabilisation of the financial sector from the reduced capacity to accurately forecast and assign risk, and the rushed transition to the green economy without considered and careful policy support.

We believe that these realities will have material impacts on even a well-diversified portfolio, and believe it is our responsibility as the stewards of our clients capital, in our goal of capital protection, to monitor and predict the impacts of climate change on our portfolios. To that we actively assess the risks of climate change and its impacts on our investments and have integrated procedures to reduce such risks on the portfolio combined with our other sustainable investing objectives. Our approach to managing the related risks to our portfolios are consistent with the framework recommended by the Financial Sustainability Board's Task Force on Climate-Related Financial Disclosures (TCFD) of 2017. Value Investment Partners takes the below approach regarding the four elements of managing climate-related financial risks identified in the TCFD's report:

Governance: The investment committee oversees the selection of securities and the appointment of underlying managers and work with the dedicated ESG analyst to ensure that appropriate climate-related risks are accounted for. To ensure compliance of the researchers and the investment committee the analyst responsible for ESG risks reports annually to the portfolio manager and managing director of the firm.

Strategy: Climate change related risks and opportunities are assessed during portfolio construction, in particular within our climate change themed investments, by using internal and external research we can best position the portfolio to reduce tail risks.

Risk Management: By ensuring that we limit or when possible eliminate exposure to investments with too much climate-related risk, whether through its business activities or its lack of management of its own dependence on companies which do, we can have a low carbon portfolio.

Targets/Metrics: We screen the portfolio using a variety of sustainable investing metrics, those related to climate change and environmental impacts include land use, emissions, carbon footprint, impact on biodiversity, waste, and use of materials. As part of our themed investments we will be conducting regular reporting to track the portfolios exposure to broad based climate change related metrics, while for the rest of the portfolios and the firm there will be an annual ESG report which will cover the firms progress on those metrics and targets.





We believe that all fund managers, large or small, should play an active ownership role and advocate for best practice in management of the companies we invest in. With that underlies an expectation that senior management appropriately manages ESG risks while also engaging in discussion and strategic planning for transitions into the green economy.

Although our firm size is small when compared to large superannuation funds, we actively engage with the community within our locus of control, and have developed reporting where we annually disclose how we have invested client money in line with this policy.

Disclosure

A part of our philosophy is to have the highest level of transparency with our investors as possible, and a point of pride is that we also make sure that our investors are fully informed around major actions being taken through any means necessary.

Those values apply to our disclosures on the implementation and continued improvement of our responsible investing practices, along with continued updates on the portfolio characteristics of our themed ethical investments. We will conduct annual reviews of the entire product offering with commentary on a variety of metrics tracking our progress on responsible investing.

Shareholder Voting

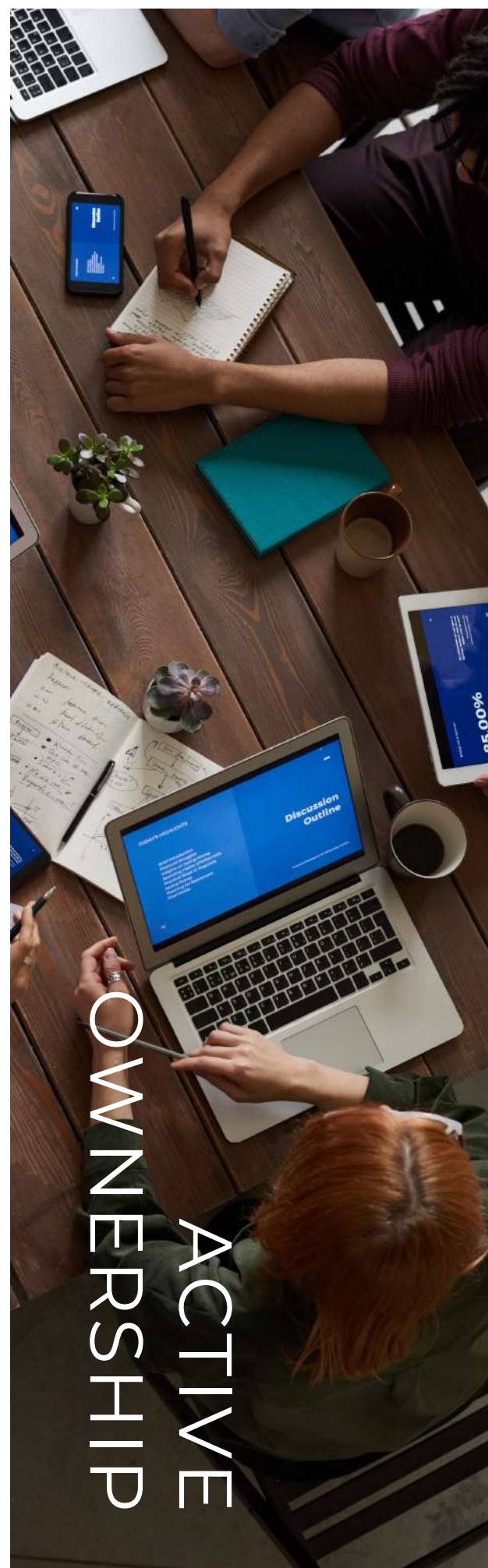
Due to the structure of the product we are currently unable to participate in shareholder voting but we work within our capacities to minimise the effect of not participating could have on our clients. We believe long term value creation is enhanced when business tackle ESG related risks within their control. As a result of not being able to vote we adjust for this by not investing in companies where we believe this type of engagement would be material in creating awareness to management of unaddressed ESG issues.

When we select an underlying manager within some of our strategies, we expect them to actively participate in voting when they are able to by way of the structure of investment. We consider the managers previous engagement with share voting to ensure that they reflect our commitment to strong governance.

Engagement

Due to our size we cannot, like other investment firms, engage in a recognisable capacity in respect to advising government on reform, influencing company management directly, or widespread engagement with the Australian community. What we do rather, is engage in education and advocacy for responsible investment practices, education of individuals and other financial services professionals, and engagement with our local community all within our locus of control. We believe that size is not an excuse for being complacent and endeavour to be as actively engaged with the community on these issues as within our reach.

As we improve our commitment to sustainable investing and join organisations that enable us to engage more with our peers on these issues our approach to engagement will continue to evolve. For our underlying managers we expect for them to be engaged at a reasonable capacity given their size with respect to the markets they participate in. We assess a managers response to ESG risks in their portfolio, part of that assessment covers how engaged they are with management on ESG concerns with the aim of improving long-term risk adjusted returns.



ACTIVE
OWNERSHIP



POLICY GOVERNANCE

While we expect the companies we invest in to have good governance, so do we expect that of ourselves. To monitor the policy adherence throughout the firm there are key responsibilities assigned to members and groups of the firm:

Managing Director	Monitors policy adherence with consult of the investment committee.
Portfolio Manager	Accountable to policy adherence and responsible for actioning on recommendation of the analyst team on areas of ESG
Investment Analyst Team	Implementing policy measures into the investment analysis process

The analysts, with the oversight of the portfolio manager, ensure that the policy is followed in the everyday activities of the firm. To maintain accountability for those members of the firm, they report annually to the investment committee and managing director. The report contains details of any potential breaches of the policy throughout the year while also recommending any policy amendments if, for example, legislation or regulations requirements change or there is a shift in industry expectations.

It is important that investors understand in principle the mechanisms that we use in order to identify the investable universe that passes our criteria in ESG investing within our direct share investment defined for the two key products available. Those products being the VIP Diversified Ethical Portfolio and VIP Climate Sustainability Portfolio have shared ESG principles but also extensions on one another appropriate for their investment objectives.

Common to both products is the utilisation of a third party data provider Sustainalytics. This software program is how we conduct negative screening of the top 300 companies on the Australian Stock Exchange and although there are differently calibrated criteria for either product the process of screening conducted is the same. Further to the screening available through Sustainalytics system, given that Climate Sustainability Portfolio can invest across the entire exchange we have to employ an internal framework to identify companies not covered that would in principle pass our screen. This framework involves the following:

- We immediately exclude any materials and industrial companies not involved in the mining of rare earth minerals that are used in technologies which are essential to the transition to the green economy.
- We conduct positive screenings for companies that are in the energy, agriculture, transportation, or technology industries producing goods or services that facilitate or enhance the transition to the green economy.
- We take a more nuanced approach to consideration of 'facilitating or enhancing the transition to the green economy'. Our approach is far more practical as we will invest in companies that at face value may not be considered by others, but we will once we achieve a deeper understanding of their underlying business, environmental impact, and where they fit in the green economy story.
- We will only invest in companies that have a published ESG policy and will prioritise investments in companies that have had policies for longer periods so that we can verify their commitment and observe documentation showing continued enhancement of their business practices.
- Finally, we apply a more anecdotal, less sophisticated, but highly effective approach. We simply ask ourselves "Is this something our investors would expect to see in their portfolio?". For we can propose and argue for our positive screens but if it should not be in there based on how our investors would receive the news than it simply should not be in the portfolio.

This process enable us to identify our investable universe for our themed investments and then continue our normal investment selection process refined over a decade of operation.



OUR SELECTION PROCESS
FOR THEMED PRODUCTS

There are four key areas of our product offering that will have a distinct reporting style and frequency concerning disclosures on responsible investing.

Firstly, there will be an annual responsible investing and ESG report conducted at a **firm level** reviewing how we have performed in relation to ESG targets and metrics on our funds under management, and will contain recommendations for actions needed to be taken for the firm to continue improve.

Secondly, a broader annual review of ESG metrics, outcomes, and performance for our **standard portfolios** that do not have ESG objectives strictly built into the portfolio. This review is to encompass the consideration of ESG risks as a management of tail risk and optimisation of long-term risk adjusted returns, as we believe these risks to be material determinants on long term profitability for all companies.

Thirdly, we will report quarterly on the ESG metrics, outcomes, and performance of our **ethical themed portfolios**. These targets are much stricter as the portfolio objectives dictate extensive ESG considerations within the investment process. As investors in this product are expecting it to reach their ideas of what an ethical portfolio should be we strive to be as transparent as possible on the ESG profile of the portfolio.

Finally, for our **Climate Sustainability portfolio** there will be quarterly reports conducted which go into detail on its environmental risk profile. As the mandate allows for investment across the entire Australian stock market there will be sections to the report which will review in length any impact investments made within the strategy. As the investors in this product are predominantly doing so because it offers a pure to label environmentally responsible investment process, we endeavour to report on as much available data concerning these points as possible.

These reports will be conducted by our analyst responsible for ESG implementation within the firm and the reports will not only be available to investors but publicly available through our website. As we develop our responsible investment policies and receive formal recognition of our commitment to responsible investing by becoming signatory to the Principles of Responsible Investing (PRI) our reporting will evolve to align itself with the guidelines and recommendations of those groups.





VALUE INVESTMENT PARTNERS PTY LTD

Suite 106 Level 1
39 East Esplanade Manly, NSW 2095

Telephone: 02 9976 3377

ABN 72 149 815 707

www.vipim.com.au