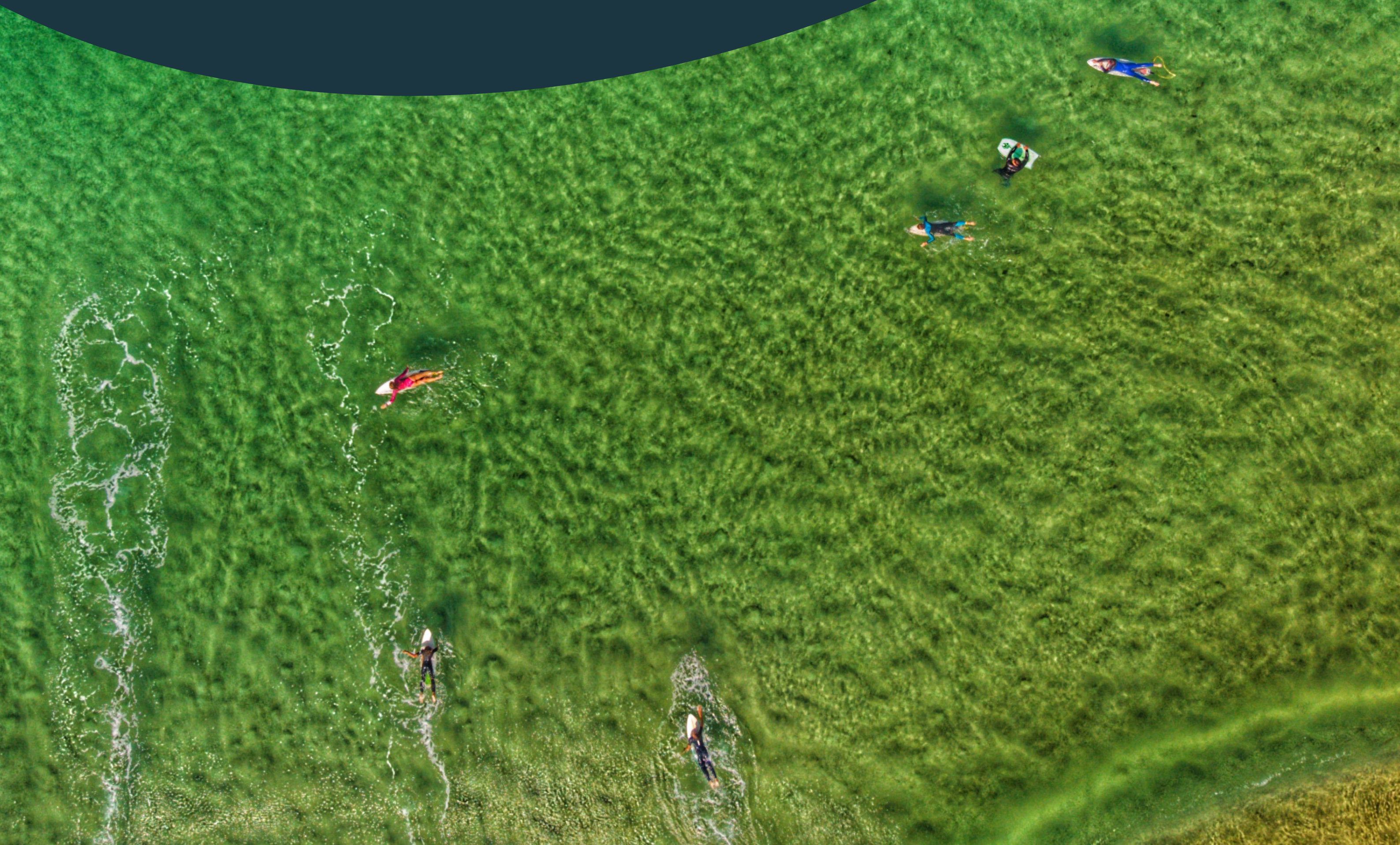
NORTHCAPE CAPITAL

Responsible Investment Policy

2024



PRI Commitment Statement

As a signatory to the United Nations *Principles for Responsible Investment (PRI),* our commitment states:

"We also recognise that applying these Principles may better align investors with broader objectives of society." Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- **Principle 1**: We will incorporate ESG issues into investment analysis and decision–making processes.
- **Principle 2**: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3**: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4**: We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5**: We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6**: We will each report on our activities and progress towards implementing the Principles.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society. We encourage other investors to adopt the Principles.

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01 Commitment to Responsible Investment

Northcape aims to be a responsible investor, guided by this Policy, to protect and enhance value for clients in line with the terms of client agreements and our fiduciary duty.

Northcape seeks to invest in high quality companies with a meaningful competitive advantage to deliver the resilient long–term returns on which our clients depend. We believe, avoiding companies with structural challenges or poor management of Environmental, Social and Governance (***ESG***) risks and opportunities, further contributes to long–term performance.

The Responsible Investment Policy describes beliefs, objectives, and processes that guide the integration of ESG factors into Northcape's investment process and applies to all portfolios, including discrete mandates and wholesale trusts.

As a *Principles for Responsible Investment (PRI)* signatory, Northcape benefits from leading practice guidance through the PRI reporting framework, to identify continuous improvement opportunities for its Responsible Investment program.

Roles and Responsibilities

The Board is accountable for the approval, implementation, and review of the Responsible Investment Policy to ensure our approach contributes to meeting client obligations. Implementation of the Policy is a collective responsibility across all Northcape teams.

- The Board and Managing Director ensure that Northcape has adequate staff, training, and other resources to implement the Policy.
- The Head of Responsible Investment, reporting to the Managing Director, provides guidance and support on development and implementation of the Responsible Investment program.
- Investment teams lead the incorporation of ESG factors in the investment process, including ***corporate engagement*** and ***proxy voting***.
- The operations team processes proxy voting on instruction from the investment teams.
- The Risk and Compliance team implements client restrictions and ensures adherence to the Approved List.
- Northcape actively engages with clients to ensure the program remains aligned with their long–term objectives.

Responsible Investment Beliefs

- Consideration of financially ***material ESG factors*** enhances long–term portfolio performance through the risk–return profile of companies, industries, economies, and societies.
- We recognise our role as a provider of capital in contributing to the Sustainable Development Goals (***SDGs***) and that the transition to an SDG–aligned world presents risks and opportunities for investors.
- Companies with good ESG practices can contribute to clients' long–term financial and sustainability objectives, while those with poor practices will likely deliver reduced long–term value, with increased systemic risk.
- Through exercising ***ownership rights***, we can make a positive impact on companies and industries in which we invest, to benefit clients. Engagement is preferable to divestment for mitigating risks, including systemic risks.

Responsible Investment Objectives

We incorporate material ESG factors into the investment process with the objective of maximising long–term returns to clients, which includes:

- Considering how ESG factors impact the risk–adjusted returns of individual investments and overall returns across client portfolios.
- Seeking to address risks to portfolio performance caused by investee company contribution to systematic sustainability issues.
- Complying with client directed responsible investment and risk objectives, and protecting client reputation, by reducing or avoiding negative sustainability outcomes associated with their portfolio.

TIP: Definitions of terms in *italics* can be found in 08 Glossary of Terms on page 19

02 Approach to Responsible Investment

Our framework

Northcape's approach has four pillars:

ESG integration
The incorporation of material ESG factors into the assessment, selection, and management of investments.

Stewardship
The exercise of ownership rights, including engagement and voting, to assess and manage material ESG risks and opportunities.

Collaboration
Working with peers and clients through initiatives such as PRI, to share knowledge and insights as well as to amplify our voice and impact.

Reporting & disclosure
Communicating to our clients on the activities and outcomes of our Responsible Investment work to meet their expectations and the needs of their stakeholders.

ESG integration

Investment teams incorporate material ESG factors into portfolio construction through two mechanisms:

- The Approved List.
- Screening.

Northcape's incorporation of ESG factors does not imply:

- That there are restrictions on the investment universe, other than those outlined under '*Screening*'.
- That ESG factors are given more or less consideration than other types of factors.
- That all ESG factors are given equal consideration.
- That the resulting portfolio will have any characteristics.[1]

The Approved List

Our investment model is centred on concentrated portfolios of quality companies that deliver durable long–term returns for our clients. Companies that are perceived to meet these investment requirements can be included in the Approved List. Northcape's view on the resilience of long–term returns is informed by bottom–up fundamental research, which includes the consideration of ESG factors, as follows:

- **Research and analysis**: to identify and assess financially material risks and opportunities and sustainability of returns.
- **In–house ESG ratings**: to apply a framework for judgements of investment attractiveness in the context of the investment model and client objectives.
- **Monitoring and review**: of company progress in managing material ESG risks and opportunities.

a. ESG research and analysis

In–house research includes a review of company disclosure, benchmark frameworks, and third–party data and research, including broker research, third–party ESG research and ratings, and proxy advice.

Investment teams make assessments of the financial materiality of ESG issues, considering context, durability, and changes in company behaviour. Where appropriate, SDG impact may also be considered. The initial process is most often supported by corporate engagement.

1 Definitions for Responsible Investment Approaches, CFA Institute, PRI, GSIA, November 2023

b. ESG ratings

For consideration for the Approved List for each strategy, companies must attain a minimum proprietary ESG rating. The objectives of the rating include:

1. To identify and assess material ESG risks and opportunities faced by investee companies.
2. To enhance and protect returns through judgements about the impact of ESG factors on long–term returns and company suitability for investment portfolios.
3. To inform investment stewardship activities to manage ESG risks and opportunities.

A template supports a consistent process, and insights and results are shared with the team, providing opportunities to test and challenge analysis and conclusions. The rating assesses:

- The materiality of the risk to the company, and
- The company's effectiveness in managing the risk.

The minimisation of ESG risks is a central objective of the assessment process, with the aim of fewer capital loss events and/or adverse sustainability outcomes.

c. Monitoring and review

ESG ratings are monitored by analysts for new information or company disclosure. If the ESG rating falls to below the minimum threshold, the company is removed from the Approved List, and if held, divested in an orderly manner in clients' best interests.

Screening

In addition to the Approved List process, we apply screens to restrict investment in:

- Companies and markets subject to domestic or international prohibitions or sanctions.[2]
- Tobacco and ***controversial weapons*** manufacture.[3]
- Exclusions and benchmarks directed by clients.

Where a client requires specific screens, we discuss the implications for the construction of their portfolio and agree the appropriate benchmark.

Exceptions

While utilised transparently and in clients' best interests, certain portfolio management instruments are outside the scope the ESG integration and investment stewardship process and may carry economic exposure to investments otherwise restricted from portfolios. These are:

- With client agreement, the Australian equities strategy utilises S&P ASX200 Index (SPI) futures contracts for transaction efficiency and to minimise cash holdings. This practice is subject to agreed limits and is closely monitored for compliance[4]. SPI contracts may also be used to facilitate an 'asset transition'[5] that only affects the client in question.
- To manage short–term cash flows and asset transitions, a client may authorise investment in an Exchange Traded Index Fund (ETF). Other client portfolios will not have this exposure.

Limitations of ESG integration

Northcape recognises ESG integration involves a series of judgements on the likely impact of ESG factors on company returns over the investment horizon. However, the financial materiality of ESG factors can vary over time and are among many drivers of investment value. It is therefore not certain that ESG integration will meet the objectives of capital enhancement and protection over the investment period.

Nonetheless, the rating process provides investment teams a valuable opportunity to consider long–term risks and opportunities that may fall outside traditional financial analysis to inform the stock selection process, better understand the sustainability outcomes from our investment activities and prioritise stewardship actions.

2 Data provided by Refinitiv that references UN Security Council (UNSC) Consolidated List, Australian Dep. of Foreign Affairs and Trade (DFAT), US Dep. of Treasury Office of Foreign Assets Control (OFAC), UK Office of Financial Sanctions Implementation (OFSI), EU Consolidated List, lists maintained by other G7 members.

3 Tobacco defined by GICS sub–industry code 302030 and additional companies under client direction. Controversial weapons defined by MSCI Global ex–Controversial Weapons Index and additional companies under client direction.

4 In the year to 28 December 2023, SPI contracts represented an average daily weight of approximately 0.7% assets under management of the Australian Equities Concentrated Portfolio and 0.1% of the Core Portfolio.

5 An asset transition occurs when a client increases or decreases funding allocation to a portfolio requiring the purchase or sale of a representative basket of holdings in the portfolio. Market instruments may be utilised to support the efficiency of this process and maximise client outcomes.

Investment Stewardship

Investment *stewardship*, or *active ownership*, is one of four pillars of our Responsible Investment framework, with the work undertaken internally by the Northcape investment teams. As an equity owner, the available mechanisms for influencing improved corporate behaviour for better governance outcomes are:

- **Corporate engagement** – meetings, calls, and emails with companies, including through collaborative initiatives with clients and responsible investment peers, to amplify our voice and impact.
- **Proxy voting** – at company meetings.
- **Litigation/class actions** – where a company has had a material regulatory breach.

We believe that through the exercise of equity ownership rights, we can influence improved management of ESG factors by the companies in which we invest. In turn, this is intended to support better long–term outcomes for client portfolios, and the economies and societies that support them.

As such, through active ownership we aim to:

- Have long–term relationships with companies that facilitate collaborative and constructive dialogue.
- Identify and assess key ESG risks and opportunities in our portfolios.
- Take action to influence improved management of these risks and opportunities.
- Protect and enhance overall long–term value for clients, including the common economic, social, and environmental assets on which their interests depend.
- Report to clients on this process and outcomes.

Stewardship activities are integrated into investment decisions as follows:

- Approved List admission.
- Monitoring and review of the investment thesis of Approved List companies.
- Assessment of implications for investment decisions.

Corporate engagement

As well as incorporating ESG risk discussions into routine research meetings with companies, Northcape conducts stand–alone ESG engagements on specific issues. Engagements can be through Northcape only interactions, group briefings, seminars, or site visits.

As long–term investors with broad economic and systemic risk exposures in our portfolios, we prefer to engage with companies to influence ESG performance, rather than divest the holding. In many cases, our portfolio will remain exposed to systemic risks (such as carbon emissions) created by the company, even after selling our stake to other investors.

Direct engagement with companies enables investment teams to make informed decisions about financial and ESG factors that may impact the investment case of a company.

Engagement often occurs ahead of statutory company meetings, where Northcape also has an opportunity to exercise its right to vote. We may also conduct engagements with companies when we become aware of new controversies or governance concerns, or at a client's request. Our engagement process consists of the following steps:

a. Prioritising ESG issues

Northcape considers:

- Materiality of the issue.
- Capacity to influence an outcome.
- Adequacy of current approach and disclosure.
- Responsiveness to previous engagement.
- Client requirements.

b. Define objectives

Objectives reflect Northcape's expectations of specific behaviour outcomes, where relevant. This promotes meaningfully directed conversation and enables us to track and monitor progress. We recognise a change in corporate behaviour may take place over many months or years.

c. Determine engagement method
Meetings will likely be conducted with the executive team for matters concerning operations, financial performance, and strategy. Stewardship, governance, and board oversight matters are ideally raised with the board. Where a more formal response is required, we may follow up with written correspondence.

d. Conduct meetings
Engagements are led by the responsible analyst. Investment team colleagues may participate in planning, preparation, or the engagement itself. Northcape's Head of Responsible Investment or Managing Director may also participate. Interactions and insights are documented.

e. Review and share insights
Company progress on agreed actions is assessed in follow up meetings, as required. Material issues for the investment case from engagement are shared for discussion and debate. Engagement activity is recorded in a register to track outcomes and report to clients.

f. Reporting
Stewardship activities and outcomes are communicated across Northcape and with clients through the annual ESG and Stewardship Report, or upon request.

Escalation framework
Outside of engagement, Northcape has the option to utilise other mechanisms case–by–case to address the risk in the portfolio:

- Re–assess the ESG rating or valuation.
- Vote against management at a company meeting.
- Recommend clients join a class action.
- Collaborative stewardship and/or policy advocacy.
- Reduce the holding or divest.
- Remove from the Approved List if the Northcape ESG Rating is below the minimum.
- Filing or co–filing a shareholder resolution.
- Publicly engaging, e.g., via an open letter.

Proxy voting
Participation in company meetings and voting are critical rights of shareholders and an important active ownership tool to influence improved corporate governance practices in our clients' best interests. UN PRI active ownership guidelines suggest that voting can complement engagement to:

- Inform management of our views.
- Affirm and support good behaviour or steps the company has agreed to take.
- Advise companies on directional expectations (in the case of non–binding votes).

Binding votes (e.g., director elections) are seen as the most forceful for driving change for listed equity. It is our view that investors should use votes against management to promote improved governance, even if there could be consequences for corporate access or engagement.

Northcape believes that to maximise the effectiveness of voting while building constructive long–term relationships with investee companies, voting should be:

- Aligned with the Responsible Investment Policy.
- Consistently applied.
- Communicated with clear rationale.

When voting against management is appropriate on a material governance failing, we seek to:

- Engage the company to build understanding and share our view.
- Make our assessment and, where practical, communicate our vote decision to the company.
- As necessary, follow up at the next opportunity with the company.

Even if behaviours remain unchanged, we believe that further engagement with the company on these issues provides the potential of improved outcomes.

Voting rights not always available

Northcape's preference is to invest in securities with voting rights and to exercise those rights to support improved governance practices. In certain markets, particularly in emerging countries, it may be necessary to invest in a class of shares that carries limited or no voting rights. This is typically a consequence of liquidity considerations, but other factors include the company's capital structure, or our strategy to manage currency exposure. In these cases, engagement is considered to be the best stewardship mechanism.

Northcape Voting & Governance Guidelines

Analysts refer to the **Northcape Voting and Corporate Governance Guidelines** (see 03 below) to support proxy voting decisions. The Guidelines have been developed with reference to leading practice governance standards in Australia and internationally and the policies of our proxy advisors.

The role of proxy voting research advisors

Northcape utilises proxy advisors to assist in identification of governance concerns against current standards and support the internal decision process.

Northcape recognises that governance standards, practice norms, regulatory regimes, and investor expectations vary considerably between domiciles and looks to proxy advisors for regional insights and advice to support our research and vote decision process.

Northcape monitors advisor guidelines to ensure alignment with the standards and objectives of the Responsible Investment Policy.

Client–directed voting

Northcape votes each proxy meeting consistently across all mandates and strategies, with client–specific voting policies implemented as required. Discrete mandate clients may override Northcape's votes directly with their custodian. Where Northcape has a strong view on a particular topic, or where issues are of special interest to a client, we share our thoughts and concerns.

Client securities lending programs

Shares on loan in client stock lending programs cannot be voted. Northcape makes best–efforts with client custodians to recall shares on loan and maximise stock available for voting.

Litigation/class actions

Institutional investors in Australia have in recent years increased participation in class action claims for restitution of share market losses associated with a material breach of corporate regulations. This is most commonly for misleading and deceptive conduct or a breach of market disclosure obligations.

We have some concerns about the growth of the class action system, and the potential to distract companies and consume resources. However, we acknowledge the value of the mechanism as one avenue of redress against the financial impact of poor governance practices. It can in some cases, also contribute to confidence building in market regulation and operation.

The decision to participate in a class action rests with each client as the beneficial owner of the impacted investment. Northcape has a preference to seek improved governance outcomes through engagement, collaboration, and voting.

However, for egregious breaches of corporate regulations, or where other methods of addressing poor practices have failed or are not available, Northcape will assess the merits of class actions and make recommendations to clients. We recommend participation if we believe it is in their interests, assessed with reference to:

1. Materiality of loss incurred.
2. Potential returns to clients from the action.
3. Costs of participation.
4. Merits of the case.
5. Reputation risk to Northcape or its clients.

Conflicts of interest in stewardship

Northcape may have commercial relationships with some of the companies in which it invests on behalf of clients, and these may have the potential to give rise to conflicts in Responsible Investment activities. For example, the investee company subject to Responsible Investment practices may be a client or vendor. Conflicts identified through these activities, processes, and practices are covered by the Conflicts of Interest Policy and will be managed in the best interests of all Northcape clients.

Limitations of investment stewardship

Corporate engagement requires significant resources and investors must prioritise effort to the material risks where impact is most likely. Stewardship is undertaken for the long–term benefit of client portfolios, but Northcape acknowledges that it (a) may not result in immediate outcomes, and (b) does not always achieve the long–term benefits sought.

The following factors may constrain or delay the benefits of stewardship:

- Northcape may have insufficient access to management or the board to raise and progress the issue with the company.
- Companies may not have the resources or expertise to engage with investors or implement the change in behaviour sought.
- Companies may not apply the same materiality to an ESG factor as Northcape and not prioritise management of the issue.
- Companies may face local systemic, regulatory, or cultural barriers to improving performance.
- Engagement with single entities may be insufficient to meaningfully impact systemic risks, such as climate change or human rights risks.
- Collaborative engagement initiatives available on a priority issue may not be appropriate for Northcape.
- In voting, Northcape's influence and capacity to generate impact may be limited.

In cases where engagement is constrained, proxy voting will be the primary influence mechanism. Northcape will refer to the escalation framework discussed earlier in this section in seeking to manage company and portfolio risk.

Collaboration

Northcape views collaboration with clients, advisers, and peer networks as offering the potential to enhance the effectiveness and impact of its own Responsible Investment program.

Northcape investment teams collaborate directly with clients through the provision of views and insights on specific stocks, industries, or ESG issues. This could be through client review meetings, ad hoc interactions, questionnaires, or proxy voting recommendations.

Many of our clients participate in responsible investment networks, providing an opportunity to work collaboratively on our aligned objectives. The benefits of Northcape's collaboration include:

- Sharing knowledge, insights, skills, and capabilities to improve the effectiveness and impact of our work.
- Augmenting our work with companies to amplify our influence in support of improved corporate governance at companies in which we invest.
- Combining resources with others on particularly challenging ESG risks and opportunities, such as climate change or human rights.
- Opportunities for policy advocacy aligned with our Responsible Investment objectives and client interests.

Northcape's primary collaborative initiative is as a signatory to the UN Principles for Responsible Investment (PRI), based in the United Kingdom. PRI is the world's largest responsible investment initiative that provides a framework for benchmarking and annual reporting.

Northcape is also a member of the Responsible Investment Association of Australasia (RIAA). RIAA provides valuable investor networks and resources through an organisation based in Australia, with specific issue workings groups to build skills, knowledge, and impact in our engagement activities. RIAA represents members in advocating for government policy settings that support Responsible Investment.

Reporting & disclosure

Northcape believes in transparency of its Responsible Investment program so that clients, investee companies, and other stakeholders can understand and evaluate our governance, approach, expectations, activities, and outcomes.

Our public disclosure includes:

- Responsible Investment Policy
- Commitment to PRI and Transparency Report
- Annual ESG and Stewardship Report
- Annual Proxy Voting Record

Northcape also reports directly to clients (and their advisors) on Responsible Investment activities, outcomes, and case studies, via regular investment reporting reviews, ad hoc discussions, and surveys.

Collaborative Responsible Investment Initiatives

riaa Responsible Investment Association Australasia

Signatory of: PRI Principles for Responsible Investment

03 Voting and Corporate Governance Guidelines

The following Guidelines are intended to assist in Northcape's assessment of governance practices of companies, particularly when exercising voting rights.

The Guidelines are drawn from:

- International Corporate Governance Network (ICGN) Global Governance Principles.
- Australian Council of Superannuation Investors (ACSI) Governance Guidelines.
- Australian Securities Exchange (ASX) Corporate Governance Council Recommendations.
- Policies of our proxy advisors, International Shareholder Services (ISS) and Ownership Matters.

Northcape recognises that governance standards, practice norms, and investor expectations vary between regions and will look to proxy advisors for insights and advice on these variances to support our process.

Vote implementation

In implementing **proxy voting**, Northcape:

- Votes (or recommends a vote) in the best interests of our clients, aligned with the Responsible Investment Policy.
- Votes (or recommends) on all company resolutions where we have the authority and responsibility to do so, regardless of the materiality of the resolution.
- Does not vote where a client has specifically retained the voting rights on its holdings, or where the shareholding carries no voting rights.
- Records an Abstain vote (or recommendation) where we are conflicted (e.g., to authorise a capital raising in which we participated), or where we believe it is appropriate to neither support nor oppose a resolution rather than take no action (e.g., when material information is omitted).
- Communicates vote decisions and rationale through client reporting. Detail of every vote cast is published on the Northcape website in the Proxy Voting Record. Aggregated voting data is also published in Northcape's annual ESG and Investment Stewardship Report.

Vote decision making

In considering the **vote decision**:

- Northcape considers votes case–by–case.
- The responsible Northcape analyst makes voting decisions or recommendations, often in consultation within the investment team.
- The process of identifying governance concerns is supported by proxy research.
- Vote rationale and variation from proxy advice is documented.
- Votes are subsequently reviewed for consistency and alignment with the Policy by the Head of Responsible Investment.
- Vote decisions that differ from proxy advice are reviewed quarterly by the Audit, Risk & Compliance Committee.

Director elections

When assessing **director election** proposals, consider:

- Performance of the company under the incumbent board and its committees.
- A director's tenure and performance on other listed Boards, bearing in mind the added value that may arise from directorships of other companies.
- Attendance at Board and committee meetings.
- Engagement with shareholders on material *governance issues*.
- Capacity and workload (on a case–by–case basis).
- The director's independence and impact of their election on overall board and committee independence.
- Any actual or potential legal proceedings that a director is involved in.

Board independence

Independence could be compromised if the director:

- Has been employed in an executive capacity by the company or a subsidiary without an appropriate period away from the company.
- Has, within an appropriate period, been a significant shareholder, partner, director, or senior employee of a provider of material services to the company.
- Receives or has received additional *remuneration* from the company apart from a director's fee, participates in the company's share option plan or a performance–related pay scheme or is a member of the company's pension scheme.
- Has or had close family ties with the company's advisors, directors, or senior management.
- Holds cross–directorships or has significant links with other directors.
- Is a significant shareholder of the company or associated with a significant shareholder.
- Has been a nominee director as a representative of, and appointed by, minority shareholders or the state.
- Has been a director for such a period that independence may be compromised. In developed markets, we review independence after 10 years' service and in emerging markets after 12 years.

Board composition

When assessing **board composition**, we consider:

- Gaps in the Board skill sets, experience, diversity (see Board diversity below), or perspectives, relevant to the company, its strategy, and stakeholders.
- Size and workability of the board.
- Role of chairperson and degree of separation from the Chief Executive Officer (CEO) role.
- Succession planning and overlaps in director skills, experience, and expertise.
- Mix of independent directors and non–independent directors.
- Presence on the board of substantial shareholders and controls to ensure all shareholder interests are properly considered and represented.
- Independence of committees, including audit, remuneration and nomination committees.

When assessing the **governance behaviour** of the company, consider disclosure and quality of:

- Board charter or code of governance and ethics.
- The definition of board and management responsibilities regarding governance issues.
- Effectiveness of risk management policies.
- Management of conflicts of interest, including related party transactions.
- Board performance evaluation.
- Timely and accessible information that allows investors to make informed and accurate judgements about material issues, including:
  - Anti–corruption and bribery.
  - Sustainability and ESG reporting.
  - Climate change program guidance.

Board and management diversity

We believe that diversity within listed companies brings different perspectives, can reduce groupthink and strengthen decision–making.

According to UN PRI[6], this cognitive diversity can lead to faster problem solving, strengthened risk management, more accurate predictions, and increased innovation.

Northcape is committed within its operations to an inclusive workplace that embraces and promotes diversity. We value and respect the unique contributions of people with diverse backgrounds, experiences, and perspectives, and diversity of critical thinking.

There have been significant advances in many investment markets in the last decade in board and management diversity metrics, particularly in relation to gender. Northcape acknowledges regional variations in both the rate of progress and investor expectations. As such, we assess diversity–related voting resolutions case–by–case, supported by proxy research with reference to relevant governance expectations for each domicile.

6 Diversity, Equity, and Inclusion: Key Action Areas for Investors, PRI, February 2022

Dual chair and CEO role

While less common in Australia, the roles of board chair and Chief Executive Officer (CEO) are often combined in certain markets, particularly the US, some emerging markets, and in certain sectors.

The practice is generally becoming less prevalent, perhaps reflecting (1) the increasing workloads of modern boards, and (2) the increased focus by investors on board independence.

While Northcape generally prefers an independent chair to maximise governance resourcing and minimise conflicts of interest, it will assess resolutions related to this issue case–by–case, taking into consideration:

- Governance performance of the company.
- If the division of roles of CEO and Chair are clearly defined.
- Independence of the board overall and of board governance committees.
- Presence of a lead independent director.
- Whether shareholder rights are supported or oppressed by the board, including equal voting rights.
- CEO remuneration and the potential for dilution of shareholder returns.
- Complexity of the company, strategy, and crises that may impact the capacity of a combined CEO/Chair.

Changes to capital structure

When assessing **capital raisings**, consider:

- Rights of existing shareholders to maintain proportional interest or be compensated for dilution.
- Board oversight of the raising process.
- Context and particularly any urgency; and
- The price of the issue and subsequent dilution.

When assessing **takeovers**, consider:

- Management of conflicts of interest; and
- Effectiveness of an independent takeover committee.

Remuneration

Remuneration arrangements should be:

- Fair.
- Responsible.
- Transparent and easy to understand and assess.

Remuneration should reward long–term value preservation and creation of shareholder value in line with the company's strategy and values, without promoting adverse outcomes. Any changes to the program should be transparent and supported by sufficient explanation.

When assessing the **structure of remuneration**, we expect:

- Clear and supportable rationale for any material changes to fixed remuneration, keeping in mind that the quantum of fixed remuneration has a direct impact on other components of remuneration.
- Appropriate financial performance hurdles and periods, with cash payments in variable pay minimised, and effective claw backs for poor outcomes.
- Variable pay to in fact be variable over time, suggesting hurdles are functioning as intended.
- Any board discretion applied appropriately and transparently to avoid perverse outcomes, rather than to reduce the proportion of remuneration truly at risk.
- Long–term incentive hurdles that provide adequate stretch and a measurement period and/or deferral period sufficient to align with long–term shareholder value.
- Non–financial measures that sufficiently challenge management and are aligned with the strategy and values, while minimising unintended consequences.
- Appropriate balance between the capital requirements of the business, returns to shareholders, interests of stakeholders, and the quantum of remuneration.
- Well supported and fully transparent requests for increased director fees, with due regard given to the performance of the board.

Board spill resolutions

When assessing **board spill resolutions**, we consider:

- Company performance and the performance of the board and management.
- The materiality of underlying remuneration issues at the company.
- The potential for disruption and adverse impact on shareholder value.
- Shareholder engagement and changes made to address investor concerns through board renewal and other measures.

Shareholder resolutions

Northcape values the right of shareholders to make proposals at company meetings to promote improved governance outcomes. When well–structured, they can be a valuable mechanism for communicating investor expectations to boards of investee companies, particularly about priority ESG issues such as human rights and climate–related risks. Northcape takes due care in the assessment and voting of shareholder proposals against our Responsible Investment Policy and objectives.

When assessing **shareholder resolutions**, we consider:

- If the proposal is in the best interests of shareholders, material to the company, and aligned with shareholder value.
- If the proposal is linked to improved governance or transparency.
- If the proposal strays into operational management and is overly prescriptive.
- If it's within the company's power to act on the issue, and if so, the potential impacts on the company.
- If the issue is more appropriately addressed through another avenue, e.g., regulatory reform.
- If the company is already meeting a substantive part of the request or has a credible plan to meet it within an acceptable time frame.
- The performance of the board and management and their responsiveness to investor engagement and feedback.

Human rights–related resolutions

Northcape will use its vote to support its management of the risks and opportunities related to human rights in the portfolios it manages. See 06 **Sustainable Development** below.

Climate–related resolutions

Northcape will use its vote to support its management of the risks and opportunities of climate–change. See 04 **Climate Policy** below.

04 Climate Policy

Northcape acknowledges that climate change, and the human response to it, presents significant risks and opportunities to business models, economies, and financial markets, and has the potential to materially impact investment returns on which our clients depend.

As such, we believe incorporating climate-related risks and opportunities in our investment process is fundamental to performing our fiduciary duty to protect and grow investor capital.

Paris Agreement risks and opportunities

Limiting the increase in global temperatures to 1.5 to 2.0 degrees Celsius above pre-industrial levels to avoid the most catastrophic effects of global warming, in line with the 2015 *Paris Agreement*, requires a significant shift in public policy and coordinated action from all stakeholders.

For these objectives to be achieved, this means the world needs to reach ***net zero*** carbon emissions by 2050 or sooner. This objective is expected to guide the substantial policy, corporate, consumer, and investor responses that ultimately determine winners and losers.

The enormity of this challenge for global economies presents not only material risks that need to be managed and mitigated in our portfolios, but also significant opportunities to meet the return and sustainability objectives of our clients.

Northcape continues to engage with clients to understand how we can best support the achievement of their long-term climate-related and financial objectives on their journey to a low carbon and SDG-aligned world.

Opportunities and risks

The key climate-related opportunities and risks faced in our portfolios include those related to (1) the ***energy transition*** to a low carbon world, and (2) the physical impacts of climate change.

Transition risks increase as economies decarbonise and policy maker, company, and consumer preferences change, impacting asset values through technology risk, market risk, policy risk, reputation risk, legal risk, operating cost risk, and capital costs. These risks may lead to 'asset stranding', where an asset loses all utility.

Physical risks include the impacts of extreme weather, rising sea levels, natural disasters, water availability, food security, and biodiversity loss.

These can directly impact operating assets, consumer demand, supply chain resilience, employee safety and logistics, to name a few.

On the other side of the coin, we believe these changes and human efforts to mitigate and adapt to climate change present significant opportunities for investors to meet return objectives through the provision of capital. There is also a valuable opportunity to support an equitable and ***Just Transition*** to an SDG-aligned world.

Climate-related risk integration

In 2022, Northcape signed the Statement of Support for the TCFD[7] Recommendations to join a cohort of leading companies (1) considering how climate change impacts their business, and (2) taking action.

The disclosure requirements of the TCFD framework informs our work on assessing and managing material climate-related risks and opportunities, through the Responsible Investment practices described earlier, including:

- ESG research and materiality assessment
- A Northcape ESG Rating, which includes the assessment of climate-related risks and opportunities.
- The Approved List, which requires a minimum ESG Rating, as well as unanimous agreement from the relevant investment team.
- Stewardship to assess and manage climate-related risks and opportunities.

Investors face markedly different impacts across companies, sectors, and markets under climate scenarios.

7 Recommendations of the Taskforce for Climate-Related Financial Disclosure (TCFD), 2017

Our investment teams determine the materiality of climate-related risks and opportunities for companies as part of the Approved List process. Where deemed material, we assess the company's approach.

This may include assessment of a company's capacity to manage the risk or opportunity.

This is ultimately reflected in the Northcape ESG Rating, or inclusion on the Approved List, which can impact investment decisions. Where appropriate, a climate risk measure may be included in modelling and valuation work.

Given the pursuit of consistent long-term returns is central to our investment process, it is less likely that companies with acute climate-related risks would rate highly enough for the Approved List. However, we may be prepared to accept a higher level of climate risk exposure if we have a favourable view of the company's capacity to transition successfully to a low carbon world.

Company climate change response

Where a company is exposed to material climate-related risks, we assess the credibility and ambition of the transition plan to understand the resilience of the business model.

This is supported by the TCFD framework for evaluating a company's climate-related risks and opportunities and management's response.

Aligned with TCFD, to enable greater transparency and clarity around risks to financial markets and individual companies, we support and encourage strong governance, robust strategy, and disclosure of metrics and targets by investee companies.

Where there is a material departure in approach from our expectations, we will engage or vote to encourage improved management of climate-related risks.

Stewardship of climate-related risks

In summary, we track and manage climate-related risks and opportunities at the company level as follows:

1. Assessing exposure to climate-related risks from our own research and that of external providers.
2. Encouraging companies to align climate-related disclosures with the TCFD recommendations.
3. Assessing performance on managing the climate-related risks a company faces.
4. Engaging with companies to encourage robust climate-related risk management.
5. Using our proxy vote to complement these activities.
6. Collaborating with peers and clients to improve company governance and advocate on policy to amplify the impact of our efforts.
7. Using the Northcape ESG rating to inform our investment decisions, and if necessary, divest.

Portfolio carbon metrics

We estimate portfolio carbon metrics, such as portfolio carbon exposure, carbon intensity and basic scenario analysis, utilising third-party data. This allows us to understand how we align with a low carbon world and prioritise our resources for managing risks and opportunities.

Resourcing climate action

Northcape's climate-related risk management is supported by its long-term focus, its collaborative approach to decision making, and deep investment experience. We conduct in-house training sessions and expert briefings to further develop these skills and we utilise stockbroker, proxy, and specialist ESG research to support our process.

TCFD reporting

Northcape is a signatory supporter of TCFD and applies its framework to managing climate-related risks in its portfolios. The TCFD framework recommends disclosure of four pillars of climate-related risk management:

1. Governance.
2. Strategy.
3. Risk management.
4. Metrics and targets.

See TCFD disclosure in the annual ESG and Investment Stewardship Report.

05 Northcape Operational Environment Policy

Northcape recognises that it has a responsibility to the environment beyond legal and regulatory requirements. We are committed to reducing our environmental impact as an integral part of our business strategy.

The Managing Director is responsible for ensuring the environmental policy is implemented. However, all employees have a responsibility in their area to ensure that the aims and objectives of the policy are met.

We endeavour to:

- Comply with regulatory requirements.
- Reduce environmental impacts.
- Minimise waste by operating efficiently.
- Incorporate environmental factors into operational decisions.
- Increase employee awareness and engagement.
- Review this policy and related business issues at regular management meetings.

Specific initiatives to meet these objectives include:

Energy use

- Lease premises rated average or better (at least 3) on the NABERS scale.
- Reduce energy consumption through demand management of lighting and air conditioning.
- Consider energy consumption and efficiency of equipment.
- GreenPower renewable energy credits to the value of 100% of the emissions generated by our electricity consumption.

Office supplies and equipment

- Minimise the use of paper in the office through:
  - » Minimising printing.
  - » Receiving research and other communications electronically.
  - » Using recycled or certified sustainably sourced products.
- Optimising recycling of equipment and consumables.

Transportation

- Take advantage of new technology and opportunities for virtual meetings where practical.
- Utilise carbon offsets at point of sale when available.
- Accommodate the needs of those using public transport or bicycles in commuting.

06 Sustainable Development

UN Sustainable Development Goals

In 2015, the United Nations established a globally accepted set of 17 Sustainable Development Goals (SDGs), underpinned by specific targets and indicators. The SDGs are 2030 goals for society and all stakeholders, including companies and investors.

SDGs helps us understand the sustainability outcomes of our investments and communicate through an recognised taxonomy. While SDGs may be considered during company analysis, they are not used to set investment policies or targets.

Northcape recognises our role, as a company and as an investor, in contributing to the SDGs, including:

1. Financial investment risks and opportunities are likely to be evident during transition to an SDG–aligned world.
2. We seek to minimise negative sustainability outcomes and increase positive sustainability outcomes of investments as part of delivering on client objectives.
3. We seek to manage client portfolios in a manner that supports their own commitments and goals, including SDG–related goals.
4. We want to protect Northcape and client reputation by avoiding negative sustainability outcomes associated with companies held in their portfolio.
5. We seek to understand our operational impact on sustainability outcomes, manage risks and make improvements to our business over time.

UN Global Compact

The UN Global Compact (UNGC) calls for businesses to adhere to Ten Principles to ensure activities are aligned with the universal values and declarations of the United Nations and to contribute to the SDGs.

In some markets in which Northcape invests, it can be less common for companies to be signatories to the UNGC. When this occurs, we encourage companies to disclose progress against SDGs.

Human Rights

The UNGC requires business to support and respect human rights and not be complicit in abuses, including to respect labour rights, uphold the right to collective bargaining, freedom of association, and eliminate forced labour, child labour, and all forms of discrimination in employment and the workplace.

When we engage on human rights issues, Northcape seeks to encourage companies to improve their commitments, policies, practice, and disclosure against relevant standards to strengthen legal compliance, social license, growth opportunities, and business resilience.

Human rights issues considered by Northcape include ***modern slavery***, labour rights, first nations' rights, privacy, gender equality, discrimination, and access to education and healthcare.

Northcape recognises appropriate policy settings are also required to achieve long–term human rights objectives and looks to advocate, where appropriate and practical, for these changes.

While acknowledging the ongoing need for policy reform, companies are encouraged to demonstrate progress within these constraints on identifying, mitigating, and disclosing human rights risks and impacts.

07 Anti–Modern Slavery Statement

Northcape is committed to preventing slavery and human trafficking in our business activities and ensuring that external service providers and the companies we invest in are also free from slavery and human trafficking.

The Australian Modern Slavery Act 2018 defines Modern Slavery to include eight types of serious exploitation – trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, the worst forms of child labour (situations where children are subjected to slavery or similar practices, or engaged in hazardous work), and deceptive recruiting for labour or services.

This statement sets out Northcape's actions to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at addressing modern slavery risks in our business and supply chain.

Operational risks

We believe the risk of modern slavery within our direct business operations is low, but we recognise the need to monitor and assess risks within our supply chain.

Companies with complex and wide–ranging supply chains, or with operations in high–risk countries or industries have the highest modern slavery risk, e.g., as defined by Transparency International or the Global Slavery Index. Vendor due diligence includes:

1. Reviewing the business model, sector, industry, and geographic location of service providers to understand the potential risks.
2. Obtaining publicly available information and sending specific modern slavery questionnaires to services providers and then assessing their modern slavery risk management practices. When deemed necessary, Northcape may use reputable agencies to verify the practices of these parties.
3. Determining Northcape's action necessary to address any residual risk. Our response focuses on action and not just a zero–tolerance. A risk–based approach is used, where the risk relates to people, not risk to Northcape or the service provider. Our response to modern slavery risk will vary with the size of the service provider and our leverage with them and their supply–chains. We also consider the unintended consequences of any planned action.

If a service provider's activity is a cause of, or contributes to the risk of modern slavery, then the service provider is expected to:

- Stop the activity.
- Prevent risky activity from re–occurring.
- Provide compensation to those impacted.

Northcape will also consider the necessity to inform law or regulatory authorities.

If a service provider's operations or investments are indirectly linked to modern slavery risk, then we will:

- Raise awareness of modern slavery with the service provider.
- Communicate our expectations to the service providers.
- Use our leverage to work with the service provider to prevent or mitigate harm.
- Consider including a modern slavery clause in our services contract.

If the above steps are unsuccessful then we consider ending the relationship with the service provider.

Northcape has reviewed the practices and policies of our key service providers to assess how they address modern slavery risk. To date we have found this risk to be low and our process is to review and assess the service providers on a regular basis. Any medium or high risks will be reported to Northcape's Audit, Risk and Compliance Committee for further consideration.

This statement is approved by Northcape's Audit, Risk and Compliance Committee and Board of Directors, and is reviewed annually.

Portfolio modern slavery risks
See 06 Sustainable Development.

08 Glossary of Terms

Active ownership/Stewardship – The exercise of the rights of ownership, including the right to engage and vote, to influence investee company behaviour to maximise overall long-term value, including systemic value.

Collaboration – Working with like-minded peer investors, standard setters, industry groups, and other stakeholders in a unified way to pool resources and maximise benefits for improved governance.

Controversial weapons – Some investors focus on chemical and biological weapons, cluster munitions and antipersonnel landmines, while others include nuclear weapons, incendiary weapons, and blinding lasers.

Corporate engagement – Discussions between an investor and an investee company.

Decarbonisation – Process by which CO_2 emissions from electricity, industry, and transport are reduced or eliminated.

Energy Transition – The economy-wide move away from fossil fuels-based energy sources to renewables.

Engagement – Dialogue conducted between an investor and a current or potential investee (e.g., company), or another stakeholder to improve practice on an ESG factor, progress sustainability outcomes, or improve disclosure.

Environmental issues – ESG issues that arise because of a company's interaction with the natural environment.

ESG – Environmental, Social, and Governance risks and opportunities faced by companies and investors.

Governance issues – ESG issues that arise because of an organisation's structure and obligations to stakeholders.

Green House Gases (**GHG**) – Gases which absorb and re-emit infrared radiation, thereby trapping it in Earth's atmosphere includes carbon dioxide (CO_2), methane (CH4), nitrous oxide (N_2O), sulfur hexafluoride (SF6) and specified kinds of hydro fluorocarbons and perfluorocarbons.

Investee or portfolio company – A company in which Northcape makes an equity investment on behalf of clients.

Just transition – Combines the need for climate action with consideration of social inclusion, through an economy-wide process aligned to a sustainable future with decent work, net zero emissions, and thriving communities (IGCC).

Management proposal – A company meeting voting resolution proposed by the company.

Material ESG factors – ESG factors likely to impact the financial condition or operating performance of an entity.

Modern Slavery – Generally means human trafficking and the worst forms of child labour but may also include labour practices that suppress human rights such as forced labour, bonded labour, domestic servitude, and use of child soldiers.

Net Zero – (a) reducing scope 1, 2 and 3 emissions to zero or a residual level consistent with reaching net-zero emissions at the global or sector level in eligible 1.5° C scenarios or sector pathways and (b) neutralizing any residual emissions at the net zero target date – and any GHG emissions released into the atmosphere thereafter.

Ownership rights – Rights conferred by ownership of equity in a company, including the right to engage and vote.

Paris Agreement – A legally binding international treaty on climate change. It was adopted by 196 Parties at the Conference of the Parties (COP) 21 in Paris, on 12 December 2015. Its goal is to limit global warming to well-below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

Principles for Responsible Investment (**PRI**) – The world's leading collaborative Responsible Investment initiative. Signatories commit to the six principles of Responsible Investment which includes reporting annually.

Proxy voting – Voting at a company meeting without attendance by appointing a 'proxy'.

Proxy vote against management – A vote cast contrary to the recommendation of the board of a company.

Remuneration – The governance of corporate executive incentives and rewards.

Science–based Targets (**SBTs**) – Targets that are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement – to pursue efforts to limit warming to 1.5° C.

Screening – Applying filters to a universe of securities, issuers, investments, sectors or other financial instruments to restrict or limit investment.

SDGs – The 17 Sustainable Development Goals are interrelated objectives designed as a call to action, signed by all United Nations member states in 2015, to create a more sustainable world through economic development.

Shareholder proposal – A company meeting resolution proposed by a shareholder.

Social issues – ESG issues that arise because of a company's interaction with society, including employees, suppliers, consumers, governments, communities, and other stakeholders.

Sustainable – When used in reference to earnings, returns, cash flows, or economic growth, 'sustainable' should be taken to mean resilient, consistent or maintainable, rather than 'green', environmentally friendly, or otherwise related to sustainability objectives.

Sustainability or **Sustainable Development** – Actions that support economic development for present generations without compromising that of future generations.

Sustainability objectives – Investor objectives defined by environmental, social, or other sustainability–related outcomes.

Systemic risks – Issues that pose systematic risks to the common economic, environmental, and social assets on which returns and beneficiary interests, depend. Systemic risks cannot be mitigated through diversification.

09 Policy version history

Action	Version/Date	Approval
• Update anti–modern slavery statement to reflect updated service provider due diligence process. • Updated Climate Policy to reflect greater alignment with TCFD guidelines and monitoring carbon intensity metrics for our portfolios.	1.1 06/01/22	Board circular resolution January 2022
• Restructure of previous manuals to create stand–alone policy document. No changes to content.	2.0 01/04/22	N/A
• Restructure to improve readability, reflect current practice, and enhance guidance on key issues. • Added Glossary of Terms.	2.1 01/12/23	Board approved December 2023
• Update to wording on investment stewardship and exceptions to the ESG process.	2.2 29/08/24	Board approved August 2024

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For questions or feedback on this document please contact:

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DAVID WHITTAKER
Head of Responsible Investment
+61 2 9234 3360
david.whittaker@northcape.com.au

—
KATIE ORSINI
Client Director
+61 2 8234 3629
katie.orsini@northcape.com.au

—
WENDY HAMMOND
Senior Manager, Client Development
+61 2 8234 3638
wendy.hammond@northcape.com.au