



RAM[®]
REAL ASSETS REAL RETURNS

RAM Australia Group

Environmental, Social and Governance Policy

Document Number: 201.2

Procedure Owner: Portfolio Manager

Related Documents: Nil.

Overview

The purpose of this Responsible Investment: Environmental, Social, & Governance (**ESG**) Policy (**ESG Policy**) is to set out a high-level overview of the RAM Australia Group's (the Group) approach to managing ESG issues.

The governance of a business is a major factor impacting its potential and actual financial performance and consequently its securities it has on issue.

The principal objective of this ESG Policy is to ensure that ESG risks and opportunities are adequately considered and managed as an integral part of the Group's investment process for our active investment strategies.

Assessing ESG risks in the investment process is consistent with the Group's fiduciary duties and responsibilities.

What is ESG?

ESG covers a broad range of factors, examples of which are given below.

Environmental issues might include:

- ◆ Climate change and its potential impact on investments, including exposure to carbon pricing and regulation to reduce carbon emissions; exposure to the physical impacts of climate change, such as potential sea-level rises, and increased frequency and intensity of severe weather events; and stranded asset risk;
- ◆ The availability or over supply of water, and competition for the use of water;
- ◆ Pollution and disposal of waste products;
- ◆ The impact that a company and its operations have on the local environment;
- ◆ Future liability risk, arising from activities such as the disposal or spillage of toxic substances, or from contamination of areas or populations.

Social issues might include:

- ◆ The effectiveness of a company in maintaining its 'licence to operate' – in other words, how well it manages its relationship with the community and civil society
- ◆ A company's effectiveness in constructively managing labour relations with its workforce
- ◆ The extent to which a company effectively manages and provides transparency on the safety of its workforce
- ◆ Adherence to international conventions (such as those specified by the International Labour Organisation, the UN Declaration of Human Rights, and the OECD Guidelines for Multinationals)
- ◆ Effective management of supply chains, particularly for companies with significant offshoring
- ◆ Workforce diversity, including gender diversity at senior levels within companies and on governing boards

Governance issues might include:

- ◆ The structure and composition of the board of directors, including an adequate number of directors who are independent from management, and the fitness and propriety of directors
- ◆ The structure and quantum of remuneration for directors and executives
- ◆ The provision of adequate transparency about the company's operations, and a governance structure that demonstrates appropriate accountabilities
- ◆ The attitude and actions taken by a company to ensure that its officers are not involved in bribery or corrupt practices

Why is ESG important?

The Group recognises the importance of strong risk management in organisations we invest in and specifically focus on Environmental, Social and Governance risks and disclosure as part of the investment process.

Like all investment risks, there is significant risk from poor behaviour or limited reporting which can have significant costs to investors. For example, reputational risks can impact sentiment, and risk premiums as well as the ability of the company to access suitable business funding.

There can be direct significant costs/fines or loss of customers, which impacts profitability and balance sheets from illegal or unethical activities. There have been many academic studies highlighting the linkage between ESG factors and investments risk and returns.

That is, assets and companies that act in a responsible way are likely to perform better over time. Assets and companies that are unwilling or unable to take ESG issues into consideration may:

- ◆ Put the asset/company's reputation at risk;
- ◆ Cause loss of market opportunities;
- ◆ Diminish asset/company value; and
- ◆ Adversely affect other assets/companies which have been invested in.

The Group believes that identifying and managing ESG factors helps in finding new opportunities, steering capital towards more attractive areas, and managing long-term investment risks. As a result, it is expected that returns will be higher, and downside risks lower, over the long term. These benefits arise from avoiding the poor performance and enterprise failures that can arise from lax governance, and weak environmental, regulatory and social practices.

Implementation of ESG

ESG integration is tailored to the investment strategy and portfolio objectives. Some of our strategies have more formal ESG screening and integration whilst some strategies are more passive in nature designed to achieve specific investment outcomes with strict investment universe rules where ESG screening is limited. Our Managed Discretionary Account Clients can also set their own specific rules within their customised investment mandate to provide an additional layer of constraints.

In accordance with our investment objectives and strategy, the Group invests in direct real estate assets, listed securities, private equity, property securities, corporate/government debt and cash securities. The purpose of integrating ESG risk factors is to make better investment decisions and improve understanding of risks within portfolios and avoid the potential for significant harm from our investments business activities. As part of our research process for the RAM Australian Diversified Fixed Income Fund and RAM Diversified Fixed Interest & Credit SMA we include a range of ESG related factors.

As part of our portfolio management process for the RAM Australian Diversified Fixed Income Fund and RAM Diversified Fixed Interest & Credit SMA, we monitor companies and exchange traded products to maintain our exclusion list on a regular basis with focus on:

Industry Exclusions – for the RAM Australian Diversified Fixed Income Fund and RAM Diversified Fixed Interest & Credit SMA the following specific S&P GICS & Revenue thresholds apply that if breached results in the investment being screened out of the strategies investment universe immediately.

	GICS SECTOR & REVENUE THRESHOLD					
GICS Code	J20101010	J10102050	J25303010	N/a	N/a	J30203010
Sector	Armaments	Coal Mining	Gambling	Pornography	Tobacco Retailing	Tobacco/Nicotine Alternative Producers
Strategy						
Diversified FI & Credit SMA/Fund	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%

Armaments & Munitions – RAM’s definition of this exclusion is broad including all companies and subsidiaries involved in the production or development of all varieties of weapons with lethal force including: Traditional Military Weapons, all forms of controversial weapons (biological, chemical, anti-personal mines, cluster munitions, thermobaric weapons, depleted uranium ammunition) and nuclear weapons, with revenue threshold of 0.0% as shown in the above table.

Conduct Based Exclusions – as part of our research process we can specifically exclude companies where there are serious governance risks/failures, violation of human rights, serious environment risks or other significant violations of ethical norms which may impact the businesses operations.

Direct Real Estate investments

In the acquisition of direct real estate assets or through financing direct real estate opportunities, we will seek to ensure our investments reflect some or all of these below elements, as applicable:

- ◆ Ensuring assets (where applicable) are benchmarked by National Australian Built Environment Rating System (NABERS);
- ◆ Increasing implementation of energy efficient products, renewable energy & minimisation of waste generation.
- ◆ Engaging & providing growth opportunities for metropolitan, regional, and/or rural locations and communities; and
- ◆ Sound due diligence on all key counterparties.

Corporate and Government Debt

Governance plays a key role given it is management that are responsible for honouring the terms of issue and making the promised payments and the agreed times for debt securities. We have a natural bias to large, well-resourced issuers operating in the banking industry with strong governance, disclosure and investment grade credit ratings which somewhat mitigate some, but not all ESG risks facing portfolios.

For our Active Australian Diversified Fixed Income strategy (RAM Australian Diversified Fixed Income Fund and RAM Diversified Fixed Interest & Credit SMA), we have specifically integrated ESG considerations into the portfolio management process. Internal research is supplemented with consideration of Bloomberg ESG scoring as part of the research process.

Companies which operate in the following industry groups are excluded from the investable universe:

- ◆ Armaments
- ◆ Coal Mining
- ◆ Gaming
- ◆ Pornography
- ◆ Tobacco

The Group’s issuer level research process reviews and scores issuers on a range of metrics with a number being specifically related to ESG factors including:

- ◆ Governance and related party risks
- ◆ Management
- ◆ Environmental risks
- ◆ Social risks
- ◆ Reputational risks
- ◆ Disclosure
- ◆ Diversity
- ◆ Off balance sheet risks including regulatory and political risks

As part of our portfolio construction process poor scores impact our view on the outlook for the company which may result in portfolio activity to reduce or exit the position.

Engagement and Proxy Voting

As part of our research process we engage with company management to form a better understand the companies risks and outlook, as well as encouraging improved disclosure and corporate behaviours. Where required we lobby on behalf of investors for issuers to honour the terms of issue and act in the best interests of security holders.

Most of our holdings are debt and hybrid equity investments with no ability to vote at AGM. For Equity and REIT holdings where our research process identifies items of concern, often related to governance, corporate actions, or remuneration we vote in what we consider the best interests of our investors. As part of our ESG policy we record any voting instructions which can be provided to investors on request.