

RESPONSIBLE INVESTING POLICY

Our Ambition

Melior is an Australian impact investment manager that seeks to:

- Invest in listed companies that are having a positive impact on the world and are aligned to the United Nations Sustainable Development Goals (SDGs).
- Drive change by influencing companies to do better.
- Provide investors with the opportunity to use their financial power to drive change by aligning with the [Six Principles for Responsible Investment](#) (PRI).

Our Investment Beliefs

To generate outstanding returns for investors and grow sustainable value, we believe:

- Capital markets and corporations have a central role to play in building a better, more sustainable future.
- We can help build a better future by investing in companies that are aligned to the SDGs.
- Purpose driven companies that address long-term global trends such as resource scarcity and climate change will achieve long-term outperformance.
- By investing for the longer term and engaging actively with management, we can influence companies to make positive changes that help deliver sustainable returns.
- We can better assess risks and opportunities by doing our own deep due diligence and in-house rigorous research.
- We can identify high quality companies with strong financials using a disciplined bottom up approach.
- Companies with materially poor ESG credentials and ambition have the potential for underperformance and are best avoided in order to minimize risk.
- Companies that consider social and environmental impacts as well as financial risk and return have a long-term competitive advantage.

Our Key Capabilities

We strive to maintain and improve key capabilities in the following areas:

- Trusted relationships and advocacy engagement with investors.
- Attracting, developing and retaining outstanding talent and diversity.
- Comprehensive understanding of social and environmental risks and opportunities.
- Deep in-house research on company ESG and impact.
- Rigorous and repeatable impact and ESG measurement framework.
- Thought leadership on key SDG and ESG themes and industry trends.
- Advocacy with companies on material ESG issues and tracking of our engagement.
- Proprietary valuation framework and detailed financial analysis.
- Focused and effective governance including an Advisory Council of industry leaders to contribute to strategic environmental and social insights and issues relevant to the integrity of the process.
- Strong networks across universities, non-government organisations and collaboration groups.
- Formal proxy voting policy with transparency on voting rationales.

Our Values

Our team:

- Believes creating a better world requires passion, courage and leadership.
- Actively collaborates with investors, companies, civil society and each other.
- Do what they say and acts with integrity.
- Treats others with respect and seeks diversity.
- Are long-term focused and have high conviction in decisions.
- Are deeply analytical, curious and open minded.
- Are self-starters and persistent.
- Has a relentless dissatisfaction with the status quo and are always striving to improve.



Our Approach

A comprehensive 5-step process for portfolio selection

Melior’s rigorous in-house investment process follows five key steps that enable us to deliver on our commitment to creating positive impact and pursuing competitive returns. Each of the five steps contributes to our multi-dimensional approach to alpha generation that combines deep impact and ESG research, company engagement and financial analysis to develop unique insights on risks and opportunities.

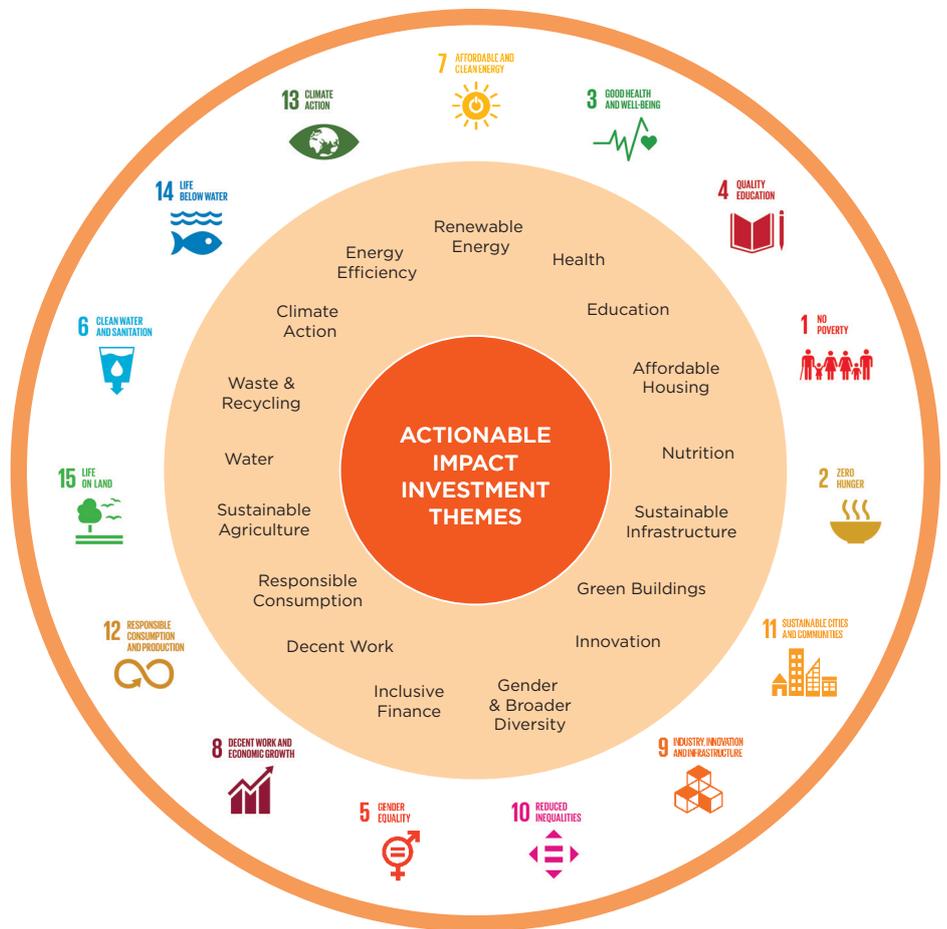
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Impact assessment

We believe that purpose-driven companies that are having a positive impact will benefit from structural tailwinds and be able to attract and retain talent, enabling them to perform better over the long-term. We therefore begin by mapping each company to one or more actionable impact investment themes. We consider ‘what’ a company offers and its alignment with the SDGs to arrive at a net impact score based on assessment of positive and negative impacts – current and future.

We measure impact based on a multi-dimensional proprietary framework. We then establish KPIs aligned to relevant SDG sub-goals to measure and report on impact over time.

We actively exclude companies deriving more than 5 per cent of revenue from industries that detract from the SDGs**. Melior also seeks to exclude distributors and service providers considered to have material exposure to these industries.



** Excluded Industries include gambling, armament manufacturing, tobacco manufacturing, uranium production and nuclear energy, fossil fuels – specifically, thermal coal, gas, tar sands and oil production, alcohol manufacturing, ultra processed foods manufacturing such junk food, soft drinks and confectionary and pornography production.

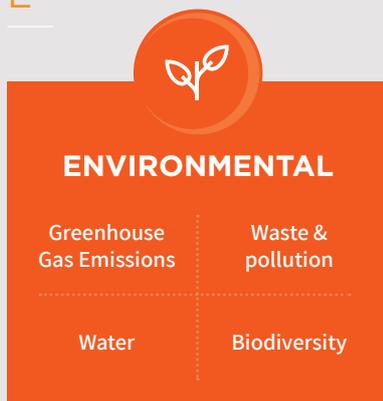
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ESG assessment

We then look at ‘how’ a company operates and apply a comprehensive quantitative and qualitative model. To be considered, companies must score well on an absolute or relative basis, or be identified as on an upward ESG trajectory. This step reflects our belief that companies which perform well in ESG have outperformance potential. This is because they are less likely to experience operating, legal, policy and regulatory risk, and there is increasing evidence that such companies can also secure lower costs of capital. Our direct company engagement also enables us to be ahead of the curve in understanding a company’s future strengths and weaknesses.

Potential ESG areas

E



S



G



3

Financial assessment

Using our own sector-focused framework we identify high quality companies with strong financials. By being style agnostic, our approach opens up a broader opportunity set for alpha generation.

Criteria include balance sheet strength, growth potential, valuation, liquidity, momentum and risks of individual stocks.

4

Portfolio Construction

The Fund portfolio includes 20 to 50 of our top stock selections across different sectors.

In building the portfolio and managing risk we look at concentration limits, impact and sector diversification, market capitalisation and liquidity.

5

Advocacy for impact

The insights we generate from our proprietary ESG and Impact research help us identify advocacy opportunities with companies. We advocate for material ESG improvements that we believe will improve their positive impact as well as help to de-risk the business, lower their cost of capital, improve their customer engagement and brand, and lead to improved valuations and share price performance. Our proprietary tracking tools enables us to set targets in key focus areas and monitor the progress of companies over time.