COOLABAH CAPITAL INVESTMENTS™
THE INTELLECTUAL EDGE: MAKING EVERY BASIS POINT COUNT

Environmental, Social, Governance and Stewardship

Policy Date: December 2022

Applies to following entities, referred to as the "investment manager" as appropriate:

- Coolabah Capital Investments Pty Ltd (CCI or Company) ACN 153327872;
- Coolabah Capital Institutional Investments Pty Ltd (CCII) ACN 605806059;
- Coolabah Capital Investments (Retail) Pty Ltd ACN 153555867; and
- Coolabah Capital (UK) Ltd Company Number 12714422.

Applies to following funds and individually managed accounts, referred to as "funds" or "portfolios":

- Smarter Money Fund, ARSN 154 023408;
- Smarter Money Higher Income Fund, ARSN 601 093485;
- Smarter Money Long-Short Credit Fund, ARSN 617 838 543; and
- other CCI and CCII portfolios, funds and Individually Managed Accounts.

Together, the **CCI Group**.

1. Introduction

The investment manager is committed to analysing and integrating environmental, social and governance (**ESG**) factors in its investment process, with ESG factors providing crucial inputs, resulting in potentially profound consequences for the performance of investments. As a signatory of the UN-endorsed Principles for Responsible Investment (**PRI**), it endorses the PRI's six Principles:

- **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.

The investment manager's ESG and Stewardship Policy seeks to outline the approach it takes in proactively considering ESG factors to achieve its overarching objective of enhanced investment outcomes over the long term. It also outlines the forms and methods of its stewardship activities that may be undertaken with issuers and other stakeholders.

The investment manager views stewardship as the use of influence by exercising rights and responsibilities of asset ownership, either through its voting practices or through direct engagement with issuers and other stakeholders. Stewardship aims to maximise long-term value of assets on clients' behalf and to create change in line with the investment managers' ESG priorities. It supports the long-term value creation of funds under management and is integral to the fiduciary approach of an investment manager. Stewardship serves as a link between clients and the entities which the investment manager invests in on behalf of clients.

Active engagement with management teams, boards, ESG rating agencies, credit rating agencies peers, regulators, politicians and other stakeholders is crucial to the investment manager's investment process. The investment manager's belief is that, as an investor, it can encourage issuers to improve their behaviour around material ESG issues. The investment manager recognises the importance of communicating and reporting its engagement activities and results to stakeholders.

2. Integration of ESG and Stewardship Issues into the Investment Process

The investment manager's due diligence process involves performing qualitative and quantitative analysis of credits, within its permissible investment universe under existing investment guidelines or mandates. As an activist investment manager, monitoring the ESG status of an issuer, and where possible identifying alpha-generating opportunities from its ESG performance, forms part of the manager's due diligence and portfolio management process.

Internal evaluation reports include specific sections that summarise the investment manager's ESG analysis to facilitate an investment recommendation for any target asset. This includes historical analysis on the performance of the issuer's ESG factors over time, and also performance against legislative and other requirements (e.g. Modern Slavery requirements).

Further, the investment team is required to assign an overall ESG rating that takes into consideration the various environmental, social and governance aspects of the underlying target as part of its investment recommendation. The overall rating is summarised at the front of each report using the following rankings: 'Poor', 'Sound' or 'Strong'.

In addition to holding credits that have 'Sound' and 'Strong' ESG ratings, the investment manager also has the flexibility to take positions (buy, sell or hold positions) on credits with a 'Poor' ESG rating in situations where it considers the ESG status to be improving and on a trajectory towards a 'Sound' and 'Strong' rating.

The investment manager has an exclusion policy on long investments in issuers:

- with material exposure to, and / or operations in, non-democratic states;
- that have been publicly identified as being plagued by systematic corruption; and
- with operations in controversial industries such as tobacco, controversial / nuclear weapons, fossil fuel exploration and extraction, gambling, and the adult industry.

ESG issues are explicitly included in the investment manager's ongoing surveillance of current and potential investments. The focus of this analysis is whether and how ESG issues have transpired and, also whether ratings for the asset provided by external ESG rating providers appropriately reflect underlying investment risks. Where the investment manager believes that external ESG ratings are not an appropriate reflection of the underlying risks, the investment manager may choose to engage in discussions with the appropriate provider.

More broadly, the investment manager may engage in stewardship activities at any stage of its investment process when an issue or practice which causes concern is identified. As stewardship outcomes depend also on processes and timelines of external stakeholders, there is no fixed timeframe that defines such engagement activities for the investment manager. The path and length of engagement differs based on the severity of the issue, management / stakeholder responses and how information is assimilated and factored into the overall investment decision.

A commonality across the investment manager's stewardship practices is the documentation of outcomes following dialogues and engagement. Outcomes achieved through stewardship activities may be publicly disclosed in the media or in investor presentations, where possible, for transparency and accountability.

3. Proxy Voting Policies and Procedures

Where the investment manager has voting authority over securities held in client portfolios, the general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in the Funds, if any (collectively, '**proxies**'), in a manner that serves the best interests of the investment manager's clients, as determined by the investment manager in its discretion, and taking into account relevant factors, including, but not limited to:

- The impact on the value of the securities;
- The anticipated costs and benefits associated with the proposal;
- The effect on liquidity; and
- Customary industry and business practices.

With respect to ESG-specific matters, the investment manager will vote proxies on a case-by-case basis, but will generally vote for any proposals that will reduce discrimination, improve protections to minorities and disadvantaged classes, and increase conservation of resources and wildlife.

The investment manager will generally vote against any proposals that place arbitrary restrictions on the company's ability to invest, market, enter into contractual arrangements or conduct other activities.

The Chief Risk Officer is responsible for the actual voting of all proxies in a timely manner, and is responsible for monitoring the effectiveness of the policies.

4. Engagement

The investment manager may choose to supplement its voting practices by engaging with the entities that it invests in, as well as other stakeholders such as policymakers or market participants. Engagement is conducted on an ongoing basis and can take many forms. It can include direct contact with an issuer or other stakeholders as part of the investment manager's due diligence process, or the advocacy of a particular point of view that the investment manager holds.

Before investing in a non-government credit, the investment manager may engage with the issuer's leadership and determine whether it can constructively influence their decision-making processes. In most cases, the investment manager will seek direct conversations with management, and a subsequent ESG questionnaire may also be provided to management by the investment manager. The investment manager may also engage with an issuer after an investment is made if, during the investment manager's ongoing monitoring of the investment, it believes the issuer can improve its business processes or is out of step with accepted best-practice and / or regulatory requirements.

Any activism undertaken by the investment manager, as outlined in Section 5, is supported by internal, proprietary empirical evidence and / or academic research, and may also be independently or externally verified.

5. ESG Communication Controls and Risk Management

(i) Activist communication

Since inception, the investment manager's approach to its ESG activism has been repeatedly vindicated with typically favourable outcomes and results for its investors and portfolios. ESG activism is therefore a core feature of its investment strategy.

The investment manager's ESG communication typically comes from its Chief Investment Officer / Chief Executive Officer, Portfolio Managers, Credit Research Team and Chief Macro Strategist. As an activist investment manager, Coolabah uses various modes of communication to audiences to maximise returns and serve the best interests of the investment manager's clients. ESG communication modes may include private discussions with external stakeholders, newspaper articles, LinkedIn, Bloomberg, newswire, email, investor reports, investor articles and other marketing material.

In addition to direct engagement with issuers, the investment manager's activist communication may extend to, but is not limited to, the following external stakeholders:

- Domestic and foreign regulators;
- State and Federal ministers, senators, members of parliament, bureaucrats and other government officials / support staff.
- Federal, state and local governments, bodies and authorities.
- Journalists, broadsheets and media and social media outlets.
- Other influential business, industry or social media leaders, or influencers including: CEOs, CFOs, Treasurers, other senior management and corporate governance personnel such as company directors or committee members.
- Subject matter experts across applicable disciplines including finance, economics, legal, politics, regulatory, enforcement and military, geopolitical, cultural, IT, engineering, statistics, science, data science, mathematics and medicine.
- Capital partners, other business partners, service providers or industry contacts.
- Trade counterparties and other equity and fixed income market participants.
- Readers of Australian newspapers / broadsheets including: the Australian Financial Review, the Australian, Sydney Morning Herald.
- Retail and institutional investors through periodic performance reporting or marketing materials / presentations.

(ii) Activist communication controls (General counsel vetting and legal review)

The investment manager utilises risk management and internal controls to manage any adverse reputational / legal / other impacts, risks or intended or unintended consequences associated with its activist ESG communication. This involves the investment manager's General Counsel reviewing, vetting, commenting, and opining on communication deemed by the Chief Investment Officer / Chief Executive Officer to be sensitive, prior to broadcasting and disseminating such ESG communication.

Additionally, where applicable, the Chief Investment Officer / Chief Executive Officer may also seek external legal advice prior to broadcasting and disseminating such sensitive ESG communication including using its panel of law firms and / or the legal department of applicable Responsible Entities of its funds.

Supplementing these internal or external legal vetting and review controls is discussing sensitive ESG communications with relevant internal boards and committees, where applicable, prior to broadcasting and disseminating such ESG communication.

6. Reporting

To the extent practicable, the investment manager discloses qualitative and quantitative ESG-related data to its investors through regular or ad hoc fund reports and other channels of investor communication, such as marketing materials and presentations. Additionally, as previously stated, outcomes from the investment manager's engagement and activism practices may also be disclosed to investors in the same manner, and also to the public through media and social media outlets.

7. Signatory to Pinnacle Investment Management's ESG Charter

The investment manager is a member of Pinnacle Investment Management Group Limited's (PNI) cross-affiliate working group to improve ESG across PNI's 16 affiliate fund managers. As such, it has approved and adopted PNI's ESG charter, the purpose of which is extracted and reproduced below:

> *"**Purpose***
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> *The purpose of this Charter is to formalise the Pinnacle Group's commitment to supporting and adopting responsible investment and operational practices.*
>
> *The Charter underpins the objectives sought by the Pinnacle Group's ESG Working Group. The ESG Working Group facilitates collaboration between Pinnacle and the Affiliates, with the objective to enhance consideration of ESG principles across the Pinnacle Group, as well as improve disclosure transparency and drive positive change in our industry.*
>
> *The ESG Working Group consists of representatives from each Affiliate, including, Managing Directors and executives, investment decision makers, and other key stakeholders.*
>
> *In pursuit of its purpose, the Pinnacle Group will act in accordance with the following ESG Principles."*
>
> *…*
>
> *"The ESG Working Group consists of Affiliates who invest across a range of markets and asset types, each with its own approach to investing including with respect to the integration of ESG considerations. The Charter does not seek to mandate how ESG considerations are to be incorporated within each Affiliate's investment process, but rather articulates a set of principles for how those considerations should be addressed. We employ the United Nations supported Principles for Responsible Investment (PRI) as a guiding framework to baseline our responsibilities and guide our ESG considerations."*

The corporate level commitments in PNI's ESG Charter are extracted and reproduced below:

> *"**Corporate operations***

ESG governance

We will ensure our ESG Policy or equivalent document is actively supported by our Board and reviewed at least annually.

Climate change

We recognise that climate change presents new and material challenges. We see climate change as an important issue for all our employees, clients, investors, and shareholders.

We will calculate and assess corporate carbon dioxide equivalent emissions on an annual basis and implement a decarbonisation strategy to reduce our operating emissions.

Modern slavery

We will ensure adequate policies and procedures are in place to address modern slavery risks within our own organisation.

We will take appropriate steps aimed at ensuring our suppliers are taking appropriate actions to assess and address modern slavery risks in their own organisation and supply chain.

Employee wellbeing

We will ensure a sense of purposeful direction for each employee and create a working environment where all employee opinions are valued, and all employees are supported to achieve their potential.

We will establish an Employee Assistance Program for employees and their immediate family members.

We will adopt a flexible working approach, to enable employees to balance family and personal responsibilities in the way that works best for employee and Affiliate.

Diversity and inclusion

We recognise the benefits of a diverse group of employees reflecting different backgrounds, perspectives, styles, knowledge, experience, and abilities.

We will promote diversity in the workplace and ensure our anti-discrimination, recruitment, compensation and conduct related policies and / or practices emphasise the fair treatment of all employees.

Privacy protection

We will take all reasonable steps to protect personal information from loss and unauthorised access, destruction, use, modification, or disclosure.

We will ensure mechanisms are in place to support the effective implementation of *our Privacy Policy.*

Information security

We will ensure all employees undertake mandatory cybersecurity training on an ongoing basis, and we will ensure appropriate Cyber Insurance is in place to mitigate risks."

As part of its commitment to complying with the PNI ESG charter, the investment manager will provide employee training on material ESG matters and, at an enterprise level, the investment manager will ensure its decarbonisation strategy to reduce operating emissions aligns with PNI's ESG charter.

8. Training and Continuous Development

The investment team seeks to engage with internal and external experts to continually grow awareness of ESG issues and to ensure it conducts its business in a responsible manner. This may include both proprietary initiatives and participation in the PNI cross-affiliate working group.

The investment manager actively welcomes an open dialogue with clients and stakeholders to support and strengthen our responsible investing initiatives.

9. Policy is subject to Review

This Policy is subject to review on an annual basis, or as otherwise required by law or regulations, or to reflect internal developments affecting the investment manager's business operations or internal organisation.