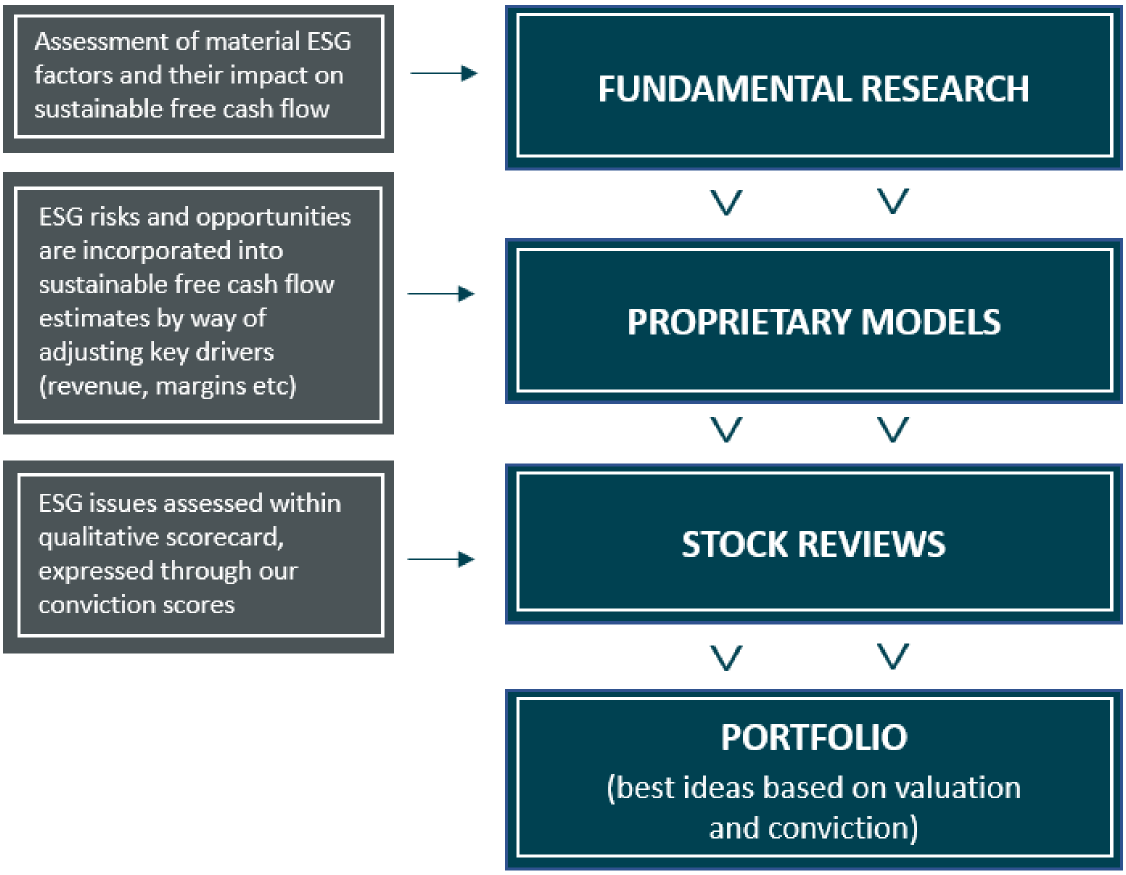
Merlon ESG Policy Statement

1. ESG belief statement

At Merlon we focus on assessing the sustainability of a company's free cash flow because we believe that is the basis on which companies should be valued. We believe that ESG factors play a key role in determining the sustainability of a company's free cash flow and we assess each investment opportunity with ESG factors in mind.

We incorporate ESG considerations when assessing the sustainability of a company's free cash flow (which drives our valuations) and the range of valuation outcomes, which we express through a conviction score. Typically, companies that have more exposure to ESG factors will have a wider range of valuation outcomes and thus a lower conviction score.

2. ESG Incorporation in our investment process



3. ESG Factors

ESG factors that may be taken into consideration by Merlon in its investment process include, but are not limited to, the following:

Environmental	Social	Governance
Climate change *Recycling* *Packaging* *Water*	*Supply chain management* *Human rights* *Employee recruitment and retention* *Poor client/customer advice* *Customer satisfaction*	*Board structure* *Capital Allocation* *Related Party Transactions* *Remuneration Structure* *Accounting practices* *Alignment with shareholders*

4. Materiality

Merlon acknowledges that not all ESG factors will be relevant to all investments. As such, Merlon incorporates material ESG factors into the fundamental analysis of each company it includes, or is considering for inclusion in, its portfolio.

5. Special ESG considerations

5.1 Climate Change risks and opportunities

Merlon subscribes to the scientific consensus that carbon dioxide in the atmosphere, predominantly as a result of human activity, has led to global warming with consequent changes in our climate. Merlon believes that uncertainty surrounding both the physical changes in our climate as well as the policy response around the transition to a low carbon economy can pose a risk to our investments across all industries to varying degrees. Equally, there will be companies that benefit from such a transition. As such, Merlon considers the physical and transition risks and opportunities of climate change as part of our fundamental analysis.

Physical risks can involve the increased frequency and severity of extreme weather events such as drought, flooding, hurricanes, heatwaves and rising sea levels. Transition risks include the risk of regulation around carbon emissions such as the introduction of a carbon tax, both within Australia and globally, which may affect demand for exports, the development of new technologies which are more aligned with a low carbon world as well as changing consumer preferences for low emission/energy efficient products.

Opportunities arise out of companies that develop technologies or solutions to deal with the physical aspects of climate change as well as those companies that are better prepared and less exposed to the negative effects of a transition to a low carbon economy. We consider all investee companies through this lens in our fundamental analysis.

5.2 Modern slavery

Merlon recognises that modern slavery, as well as being a serious ethical concern, can also pose a financial risk to businesses from both a reputational perspective and a disruption to their supply chains.

Though companies with staff/sourcing operating in offshore operations appear most impacted, there are still instances of modern slavery within Australia, particularly in high risk industries such as textiles, financial services (through their supply chains), mining, construction, property, food and beverages, agriculture, and healthcare. When analysing companies in these higher risk industries, Merlon will conduct additional due diligence to ensure the company has appropriate policies in place to manage these risks and treats its employees fairly. With companies that have supply chains in high risk regions overseas we take a similar approach, ensuring that the investee company has awareness of the risks of modern slavery within its supply chains and has policies in place to mitigate these risks.

5.3 Diversity

Merlon believes a board with diverse gender, experience and skills is required to challenge management views and to avoid the downfalls of "groupthink". As such we consider the number of women on boards as part of our governance assessment. Through our engagement activity, we also encourage our investee companies to improve the gender balance of their boards.

Merlon operates an annual internship programme aimed at providing opportunity to graduates to work in funds management and experience Merlon's robust investment process. This programme has been in place since 2016. Merlon has hired one of the participants on a permanent basis. We aim to increase diversity of the team through this programme.

6. Engagement

Merlon believes engagement (both private and public) is an important part of the investing process to improve investment outcomes. Companies are engaged on issues most relevant to their industries. We prioritise engaging with the companies held in the portfolio, with particular priority placed on our largest holdings and/or where the issues are most significant.

Merlon focuses particularly on capital allocation. We engage with companies to understand their reasoning and investment process whilst also attempting to influence their thinking.

7. Voting

The default position is to vote in line with our proxy voting advisor's recommendations. However, we seek to engage companies on ESG issues that concern us and give the company an opportunity to make commitments to change before voting against management.

Where we do vote against board recommendations valid reasons are required and are documented.

8. Sources of ESG information

We obtain information relevant to ESG factors from external ESG research providers, company sustainability reports, and other publicly available information.

9. Ongoing monitoring of investments

Companies we are invested in are generally reviewed at least annually or as regularly required. On each occasion factors relevant to the sustainability of free cash including ESG are reviewed.

10. Responsibility for ESG integration

Adrian Lemme is responsible for developing our ESG framework. ESG analysis within the investment process is conducted by each analyst with the input of external ESG research providers.