

Cosmos ESG Policy

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Executive Summary

Cosmos Asset Management Pty Ltd (**Cosmos**) recognises that sustainable investing is a key driver for long-term wealth creation for investors. Cosmos believes that taking into consideration environmental, social and governance (**ESG**) issues as a matter of course when making and managing investments will go a long way to achieving long-term wealth for investors.

The ESG requirements for companies are well established and rigorous in Australia. This includes principles relating to laying the foundations for management and oversight, promoting ethical and responsible decision making, safeguarding financial integrity, making balanced disclosure, respecting shareholder rights, recognising and managing risks (including ESG risks) and remunerating fairly and responsibly.

Cosmos looks to engage with companies that meet ESG guidelines and that articulate these guidelines in their policies. It is expected that those companies will be diligent in maintaining appropriate ESG standards through auditing, risk management and other processes. This provides some comfort to Cosmos when managing investments to ensure that there is alignment with the aim of wealth creation for investors.

ESG factors are integrated into Cosmos' investment analysis and decision-making processes whilst incorporating not only the investor expectations and objectives but also the overall market standard principles of responsible investment. Depending on the investment objective, a negative weight may be applied when determining the company's target share price, issues may be raised directly with the company or if the concerns are serious, Cosmos would either choose not to invest in (or engage with a company) the company or exit currently held investments.

Cosmos also recognises its own ESG obligations and continues to use best endeavours to conduct research and assessment before making investment decisions on behalf of the relevant managed funds.

Cosmos believes that a sustainable investment approach is more likely to grow an investor's long-term investment since:

- Identifying sustainability issues and industry trends is likely to lead to improved risk management and new investment opportunities;
- Environmental and climate change could have an impact of the relevant investments, so consideration of the financial impacts on transitioning to a low-carbon economy and identifying climate change impacts in our investment decision-making process early will assist Cosmos in adequate investment portfolio selection.

Cosmos's approach to ESG integration depends on several factors including (but not limited to) a particular managed fund's objectives, the asset class, time horizon, research and portfolio construction methodologies and processes.

Environment

Cosmos expects companies that it engages with to have the appropriate internal controls to ensure compliance on policies and laws related to the environment. Effective compliance auditing and monitoring ensures that these internal controls are adhered to.

Depending on the investment objective of a particular investment, Cosmos' investment process may monitor the impact of various environmental matters on investment decisions.

Cosmos looks for companies with a suitable strategy for successful attainment of shareholders' objectives in the current physical, economic, political, regulatory, technological and competitive environments. Companies that can minimise the environmental risks associated with operating activities can have a positive flow on impact on costs and long-term stakeholder relations.

Cosmos will strive to comply with all applicable environmental laws and regulations.

Engagement

Cosmos engages with companies that support the realisation of long-term investor value in relation to the various managed funds. Engagement may be via appointing a responsible entity for a particular fund or investing in managed funds that are managed by reputable and ESG conscious companies. In addition, due diligence is conducted on these companies prior to their engagement.

Screening

Cosmos may filter and screen certain sectors, investments or companies that it considers harmful, inappropriate or do not adhere to ESG guidelines which may not align with Cosmos's sustainable investment mantra to achieve long-term wealth creation for investors in the funds that Cosmos manages.

Social

Depending on the investment objective of a particular investment, Cosmos will monitor the implication of social issues when considering investment decisions. This includes analysing issues relating to occupational health and safety, workplace rights, harassment and employee satisfaction. The strong framework developed in Australia around these social issues and company internal controls and auditing provides comfort that companies will meet their social obligations.

This is important because the effective management of human capital is needed to maximise productivity, minimise potential disruptive risks to operating activities and minimise legal risks.

Corporate Governance

Within Cosmos, standard guidelines are used to guide internal corporate governance based on the values of integrity, providing strong leadership, developing internal capabilities and competence, fairness, commitment to diligence and care, upholding stakeholder confidence, respectful behaviour, accountability and transparency. This is further documented in Cosmos's Code of Conduct Policy.

Staff involvement in ESG matters

ESG, in particular, social matters can have implications across a company's culture. Team members are encouraged to be responsible for understanding the ESG issues that pertain to their environment and corporate culture. This includes analysing current relevant issues in Australia and in other countries where companies operate. It is important to understand the potential impacts on various issues from changes in ESG developments and any changes in obligations or regulations.

This policy particularly applies to the Cosmos team members that make active investment decisions, including analysts, managers and senior management. Cosmos believes that incorporating ESG factors into its investment decisions will achieve better outcomes over the long term. Cosmos team members are encouraged to take a proactive role in incorporating ESG factors into their investment decisions.