

FEBRUARY 2025

Purpose

This policy sets out the principles and guidelines that we will apply to ensure that environmental, social and governance (ESG) risks and opportunities are adequately considered as part of our investment processes.

Scope

This policy applies to all domestic and global Alphinity equity strategies and any associated investment activities.

Our commitment and approach

We believe that the integration of environmental, social, and corporate governance factors into our investment management processes and ownership practices is essential for our success as an investment manager and to deliver attractive long-term risk adjusted returns for our clients. We recognise that ESG considerations can have a material impact on the performance of companies (positively and/or negatively) and we as active investment managers need to understand individual companies' ESG risks and opportunities to make informed investment decisions. Where possible we seek to engage with company management to better understand the company's ESG risks and opportunities and communicate expectations for improved practices. This reflects our obligation to our clients to both maximise returns and manage risk. By improving our understanding of the way in which individual companies manage ESG issues, we aim to achieve our objective of generating above average, long term sustainable returns.

We believe the formal incorporation of ESG factors into our overall investment analysis is essential and, where possible, actively seek to reflect this when evaluating a company's worth. As part of our commitment to incorporate ESG matters into our investment process, Alphinity is a signatory to the United Nations-backed Principles for Responsible Investment (PRI), official supporters of the Task Force on Climate-Related Financial Disclosures, is a member of the Responsible Investment Association of Australia (RIAA) and also the Investor Group on Climate Change.

The investment team is ultimately responsible for integrating the most relevant ESG factors into a company's investment case. The ESG team is responsible for supporting the investment team to identify and assess the most relevant ESG factors and considerations. The ESG team is responsible for leading the stewardship efforts as outlined in the Alphinity Stewardship Policy.

ESG Integration

We believe it is important to focus on the most material aspects of ESG for each company. We therefore use an ESG materiality framework to support our understanding of relevant ESG risks for each company.

We take a risk-based approach to ESG integration, scaling our ESG research efforts depending on the extent of the possible risks for each company.

To form our view on ESG risks and opportunities, and integrate ESG into investment decision making, we use five key components:

- ESG risk assessment,
- Third party data providers,
- Thematic research,
- Company engagement, and
- Reporting and review.

Further information on each component is provided below.

ESG risk assessment

We analyse and identify the most material ESG risks and opportunities for each company. This analysis is completed using an internal materiality framework and, where necessary, sector or issue specific risk assessments. The outcomes of these combined assessments inform our engagement agenda, investment decisions and proxy voting activities.

Some examples of ESG factors that we consider in our assessments are below.

Environment

- Climate change
- Water management
- Circular economy (waste, packaging and recycling)
- Biodiversity
- Deforestation
- Green products

Social

- Workplace culture
- Modern slavery
- Diversity and inclusion
- Product safety and quality
- Privacy and data security
- First nations

Governance

- Corporate governance
- Ethics and corruption
- Board composition and effectiveness
- Remuneration
- Controversy management

Depending on the number and extent of various threats and opportunities, an ESG risk level from 1 (low) to 4 (avoid) is assigned to each company in the portfolio. Any stock that is assessed at the highest risk level (avoid) is not considered for inclusion into any Alphinity funds.

Climate Change

Alphinity acknowledges the findings of the Intergovernmental Panel on Climate Change and supports the United Nations Paris Agreement to limit global warming to well below 2°C by 2050, compared to pre-industrial levels, and transition the economy to net zero.

As a key investment thematic, climate change presents a range of material social and economic threats and opportunities to investee companies. These threats and opportunities could be driven by the physical impacts of climate change (for example, increased average temperatures) or by the transition to a low carbon economy (for example, changes in local and global carbon policies as well as changes in demand and supply dynamics).

Achieving net zero emissions by 2050 will require coordinated action from all parties, including investors, private business, and government. It will also require ongoing investment in renewable energy, low carbon technologies, the adoption of science-based targets and innovative solutions such as carbon capture, offset programs that are reliable and measurable, and winding down of the fossil fuels sector.

Alphinity does not take a values-based approach to climate change. As an investment manager, our fiduciary obligation is to maximise returns and minimise risks. Climate change risks are generally longer term and exhibit a lower degree of certainty in terms of impact and timing. As such, we undertake research and engagement to better understand the possible impact from climate risks and encourage company action which mitigates this.

We are committed to transparent reporting and alignment with frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD). By supporting the transition to a sustainable and resilient economy, Alphinity aims to safeguard investment value while contributing to global efforts to address climate change.

Further information on our approach to management climate change risks in our investments can be found [here](#).

Modern Slavery

Alphinity strongly supports the United Nations Guiding Principles on Business and Human Rights and expect our investee companies to do the same. We believe that instances of modern slavery exist extensively throughout global supply chains and require a concerted effort by all members of the global economy to eradicate this issue.

Modern slavery has emerged as a critical focus both in Australia and globally. The introduction of Australia's Modern Slavery Act 2018 as well as the appointment of Australia's first Anti-Slavery Commissioner in 2024 reflects strong government commitment to combating this issue. These efforts align with the growing global emphasis on addressing the issue, underscoring shared priorities across jurisdictions. This reinforces the need for us to consider Modern Slavery risks in both our investment analysis and our own operations.

Given the relatively small number of employees and the nature of Alphinity's operations, we believe there is a low likelihood that modern slavery or human rights violations are present in our operations and supply chain. We will however conduct ongoing reviews of these areas and, where required, develop action plans to mitigate any risks we might identify.

Our approach to managing modern slavery risks in our investments can be found [here](#).

Third party data providers

We use third party data as an input into our process and to measure our progress against the relevant benchmark. In order to validate the insights of these data providers, we undertake our own assessment of ESG risks and opportunities using in-house tools and templates. We recognise that the assessment of ESG factors is nuanced and therefore believe that an internal assessment is essential to properly understanding relevant risks and integrating them into our approach.

ESG research including thematic frameworks

As needed, we undertake specific ESG-related research on topics, controversies or individual companies. This research informs our view on macro ESG trends, emerging risks and stock specific ESG related issues.

Thematic frameworks and analysis help us to analyse risks and opportunities from a top-down perspective and compare best practice, metrics, measures, and implications across multiple companies or industries. Examples of thematic research might include the net zero transition, modern slavery risk, and nature. Thematic research is prioritised by the topic's relevance to our portfolios and may be triggered by changes to regulation, a significant event or controversy, or internal analysis.

Where practical, we aim to share learnings from thematic research through articles or reports, videos, and by participating in conferences. We do this to support wider industry awareness and to contribute to reducing systemic risks through collaboration with other stakeholders.

Company engagement

Company engagement is an important part of our ESG integration process. It is used as an input to our materiality assessment and to communicate our expectations to company management.

We aim, wherever possible, to engage with the companies in which we have invested, as well as those we are considering investing in.

We record and track outcomes from all ESG engagement activities. This includes meetings with company Directors, meetings with CEOs and management with an ESG focus and dedicated meetings with companies' ESG specialists to discuss ESG risks in detail.

The outcomes and insights gained through engagement inform our ESG risk assessment process and therefore our fundamental analysis of a company. As engagement as a key part of our investment process, we endeavour to have the relevant member of the investment team attend all ESG meetings.

See the Alphinity Stewardship Policy for more information on our approach to engagement.

Proxy Voting

We believe the right to vote as a proxy for our investors is a valuable asset. We intend, wherever possible and practical, to vote on every resolution put to shareholders. Our primary objective when voting is to maximise the value of our clients' investments. We will comply with a mandate client's instruction to vote in a particular manner; however, any such instruction will not bind the votes we exercise on behalf of any other clients.

See the [Alphinity Stewardship Policy](#) for more information on our approach.

Investment Process

Integrating ESG considerations into the investment process will vary depending on the individual industry and company circumstance. We use the following methods to integrate ESG into investment decision making.

Method	Description
Negative Screening / Exclusions	<ul style="list-style-type: none">• We have a zero tolerance for tobacco producers and manufacturers of controversial weapons, and exclude these from all portfolios.• We exclude thermal coal producers from all portfolios (with a 10% cumulative gross revenue threshold).• We apply additional negative screens for the Global Sustainable Equity Fund and Australian Sustainable Share Fund. See the relevant Sustainable Fund Charter for further information.• We will exclude a stock if the outcomes of our ESG review identifies unacceptable ESG risk.
ESG risk identification	We identify relevant ESG risks and opportunities using our materiality framework. Where relevant, the ESG factors are considered in the investment case.
Company engagement	Company engagement is used, wherever possible, as part of our ESG review process, and/or to manage material ESG risks over time. See the Alphinity Stewardship Policy for more information on our approach to engagement.
Divestment	We will adjust the position size or divest from a company should ESG risks undermine the investment case.

More information on our ESG integration approach is detailed in our [ESG Integration Fact sheet](#).

Responsibilities

The management of all aspects of ESG is shared between the dedicated ESG team and the investment teams. In addition to having a dedicated ESG and Sustainability team, Alphinity requires that all employees maintain a high degree of professional competency, which includes keeping up to date on ESG issues and associated thought leadership.

Investment Team

The investment team is ultimately responsible for identifying, integrating and managing ESG risks in the investment process.

ESG and Sustainability Team

Alphinity has a dedicated ESG and Sustainability team that is responsible for supporting the investment team with research and tools to drive enhanced integration of ESG risk in investment. It is also responsible for undertaking specific thematic research where needed.

Internal reporting and review

We believe that ongoing internal reporting and review of ESG factors and engagement outcomes helps to manage the dynamic nature of ESG risks and opportunities. It also helps to mitigate the risk of confirmation bias affecting decision making.

Reporting and review is completed within the individual investment teams (e.g. within the domestic team), between the domestic and global investment teams, and where required, with the Sustainable Compliance Committee.¹

External Reporting

Outcomes of our ESG integration activities will be reported as follows:

- Annual ESG and Sustainability Report
- Monthly and quarterly fund commentaries (as relevant)
- Annual proxy voting report for each Fund

Review

We will undertake a review of this policy at least annually or more frequently where required. It is approved by Alphinity's Board and senior executives, who have ultimate oversight for responsible investment activities and ESG strategy and policy.

¹ The Sustainable Compliance Committees serve the Australian Sustainable Share Fund and the Global Sustainable Equity Fund. Its role is to review the investable universes to ensure compliance with both Funds Charters; adjudicate on 'grey areas'; refine the Charter; and help identify areas of company engagement. Given the overlap in stocks between the core and sustainable funds, insights and advice from the committee is also used to inform ESG considerations across all funds.