Responsible Investment Policy

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INSYNC

Insync Funds Management Pty Ltd

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1. Integrating ESG

Insync Fund Management employs a future-focused, quality-driven investment process designed to identify global megatrends that support businesses with high returns on invested capital. Central to our investment decisions is the conviction that effective management of ESG factors significantly contributes to long-term value creation. We aim to invest in exceptional businesses — highly profitable entities with sustainable growth potential, led by strong management teams who thoughtfully manage ESG impacts to maximize shareholder value over the long term.

Material ESG considerations are integrated into our disciplined and systematic investment process. Our research analysts and managers continuously evaluate ESG risks and opportunities as part of our holistic approach. Insync Fund Management proudly supports the principles of responsible investment and aligns with the UN PRI's framework for ESG integration and active ownership.

ESG Integration and Stewardship

The UN PRI defines responsible investment as "a strategy and practice to incorporate environmental, social, and governance (ESG) factors in investment decisions and active ownership." At Insync, we integrate ESG considerations through both implicit and explicit approaches:

- **Implicit Integration:** ESG considerations are inherently embedded in our broader assessment of profitability, growth potential, and risk management. Factors such as research and development, capital efficiency, and governance practices reflect a company's preparedness to manage ESG risks and opportunities. We believe that companies investing in innovation and operational efficiency are better positioned to mitigate ESG risks and drive long-term growth.
- **Explicit Integration:** We leverage external ESG data providers to assess the risk ratings of companies in our portfolio and investment universe. These forward-looking analyses help identify material ESG issues, which are then incorporated into our valuation models and risk assessments. Our differentiated views on these issues often contribute to identifying mispriced opportunities in the market.

Our stewardship activities include direct engagement with companies and exercising voting rights to encourage improvements in ESG practices. For further details, refer to our stewardship and proxy voting policies.

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2. Responsible Investment Guidelines

Principles of ESG Integration

Insync's approach to ESG integration is grounded in three core principles:

- **Business Focused Approach:** We identify sustainable, profitable business models operating within secular megatrends. Companies that demonstrate strong governance and responsible corporate strategies are more likely to achieve sustainable growth. Our research seeks to uncover businesses that actively address their environmental and social responsibilities while maintaining robust financial discipline.
- **Materiality:** ESG factors differ in importance across regions, industries, and companies. Our deep, company-specific knowledge enables us to focus on ESG factors with the most significant potential impact. For example, environmental considerations such as carbon emissions may be critical for industrial companies, while social factors like labour practices may hold more relevance for service-oriented businesses.
- **Objectivity:** While we draw on external ESG frameworks and data, our investment convictions are formed independently through proprietary analysis. By combining qualitative insights with quantitative metrics, we ensure a balanced and unbiased evaluation of ESG risks and opportunities.

Key ESG Issues Integrated into Our Process

- **Environmental:** We evaluate factors such as carbon emissions (Scope 1 and 2), water stress, renewable energy use, and pollution management. Environmental risk assessments are tailored to the unique risks of each sector and region. For example, we prioritize engagement with companies in high-emission industries to encourage transitions to sustainable practices. Additionally, we aim to maintain a portfolio with a carbon emission score significantly lower than relevant benchmarks.
- **Social:** Social considerations encompass a company's relationship with its stakeholders, including employees, customers, and communities. We assess labour management practices, human capital development, workplace diversity, and supply chain management. Corporate culture is also a focal point, evaluated through employee feedback and third-party reports to ensure alignment with management's claims of governance and ethical conduct.
- **Governance:** Strong governance underpins sustainable business performance. We analyze governance practices through a structured framework, which includes assessing management's capital allocation strategies, compensation policies, and alignment with shareholder interests. Key metrics include:
    - Compensation and proxy statement analysis
    - Review of past M&A activity
    - Assessment of buyback and dividend policies
    - Monitoring of insider transactions and management objectives

Exclusions Policy

We exclude businesses principally involved in controversial industries such as adult entertainment, gambling and tobacco. Secondary exposure thresholds are also monitored to ensure minimal portfolio-level risk. These thresholds help us align our investments with our responsible investment objectives without compromising on returns.

Risk Management

Insync continuously monitors ESG momentum. Our risk management framework is multi-dimensional, addressing not only financial risks but also reputational and operational risks associated with poor ESG practices. By systematically evaluating ESG materiality, we aim to achieve better risk-adjusted returns and create lasting value for our stakeholders.

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