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Fortlake ESG Policy

Executive Summary

Responsible Investing is at the heart of our investment philosophy at Fortlake Asset Management and informs our strategic approach to investing. As an investment manager, we have a fiduciary responsibility to act in the long-term interests of our clients, seeking the best risk-adjusted returns. Environmental, social and governance (ESG) factors present both financially material risks and opportunities for the medium to long term performance profiles of our investments.

As responsible investors, we have to consider the broader impact on our natural environment and society with the investment choices we make, modern day slavery being a sage example of going beyond the financially material metrics. With these choices we can direct capital towards sustainable investments, leveraging private capital to achieve the scale of investment required to meet The Paris Agreement goal of limiting global warming to 1.5 degrees Celsius, compared to pre-industrial levels and to achieve the Sustainable Development Goals (SDGs).

— Dr Christian Baylis, Founder & CIO

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Responsible Investment Framework

"*A banking industry that plans for the risks associated with climate change and other environmental challenges can not only drive the transition to low-carbon and climate-resilient economies, it can benefit from it. When the financial system shifts its capital away from resource-hungry, brown investments to those that back nature as a solution, everybody wins in the long-term.*" - Inger Andersen, Executive Director of the United Nations Environment Programme (UNEP)

Fortlake's responsible investment framework was developed as a strategic underpinning to our broader investment strategy. The policy has been developed in conjunction with the portfolio managers of Fortlake, Board Members, ESG committee, investment committee, and risk and compliance committee. A broader stakeholder group has formed key discussions, which span investors and academics who are specialists in the area of sustainable finance.

At Fortlake we aim to foster long term value creation for our investors and throughout that process cultivated better investment practices. ESG considerations reflect a holistic approach to risk management and performance. The incorporation of ESG factors into the investment process forms an integral element of the credit assessment framework for non-ESG related mandates [Jiraporn et al., 2014, Henisz and McGlinch, 2019].

Governance and political factors have traditionally been core to credit and sovereign bond analysis. It is well established that companies with better corporate governance exhibit lower risk [Ashbaugh-Skaife et al., 2006]. The governance failures during the financial crisis demonstrated that for investment-grade companies, ESG risks, whilst lower probability, are still high impact factors. When material ESG risks are poorly managed, they can manifest themselves as a credit risk. ESG strengthens the ability to assess downside credit risk.

There is an increasing body of evidence that demonstrates the significance of environmental and social factors in both the bond markets. In recent years, the impact of climate change risk and transition risk has attracted the attention of practitioners and academics as another determinants of bond yields. [Collender et al., 2021, Kling et al., 2018, Cevik and Jalles, 2020, Beirne et al., 2020, Dunz et al., 2021, Painter, 2020].

The United Nations' Sustainable Development Goals (SDGs) represent the most ambitious and wide-ranging effort to fulfil human rights in international development. Underlying the SDGs are rights to food, health, education, gender equality, clean water and sanitation, and decent work protected under international human rights law. The human rights perspective has lacked the ability of investor assessment and limited external assurance. However, as investors, there is increasing awareness of the correlation between a company's social performance and its operational performance [Ferrella et al., 2016]. At Fortlake we go beyond the traditional methods of simply 'screening out' investments of companies that fail to meet pre-defined standards, rather we seek out opportunities, leveraging sophistication in methods to screen for socially progressive issuers. Stepping outside of the realm of financial materiality, we consider the likes of Modern Day Slavery as simply illegal and companies that engage in such practices are excluded.

Fortlake seeks to understand how ESG risks can manifest over time and lead to poor credit outcomes. Risks relating to ESG need to be vigorously monitored as ESG risks pose one of the biggest risks to business sustainability. We regularly review ESG related issues about each issuer and update the outlook and its implications for credit quality of the corporate. ESG is an integrated element of the credit assessment framework for non-ESG related mandates. Movements in credit spreads cannot be explained by credit risk alone. Rather, pricing ESG within a quantitative framework, combined with specialist ESG data, is critical in managing risks and identify investment opportunities. Using a set of factors, the approach considers how ESG ties into the potential for upgrade or downgrade and general credit events.

Traditionally the aim of integrating ESG factors into a fixed income strategy is to assess the downside risk. At Fortlake, we also look for opportunities through a thematic approach, for example, investing in fixed income securities where the use of proceeds fund sustainability projects such as green and social bonds. With the climate bond market being greater than just the labelled market, we also explore opportunities in the unlabelled green bonds and those bonds that are social and climate leaders.

A well-known barrier to ESG integration is the lack of consistent standards for measuring ESG performance and ESG performance data reported by companies Eccles et al. [2017]. With this in mind, Fortlake contributes to the academic community through the publication of academic research and education of the next generation of finance professionals through postgraduate course development and lecturing.

Responsible Investment Process

Based on extensive research, Fortlake has developed an investment process that incorporates ESG investment principles. For example, and not limited to, issuing companies that have higher ESG ratings should have an economic advantage in the longer term. ESG information is complementary to traditional fundamental analysis and economic in nature. ESG factors are considered orthogonal to fundamental measures and represent longer-term information content that is critical to evaluate investment opportunities. It is well established that companies with better corporate governance exhibit lower risk. ESG performance is correlated with credit risk and forms an integral element of the credit assessment framework for non-ESG related mandates. We continuously develop our research in the area of ESG factors and methods of incorporating these into our investment process.

2.1 Responsible Investment Team

At Fortlake we believe that to ensure the effective and successful implementation of our ESG policy, the integration must start at the most senior levels of decision making and be deeply embedded within the investment process. The ESG committee comprises of members of the investment team. The ESG committee oversees and provides recommendations to the Investment Committee on the integration of ESG into investment and business decisions, with a mix of investment, research, leadership and risk management expertise. In addition, Fortlake has external ESG academic affiliations and as such, is actively involved in academic research, bringing both a level of rigour and independence to the investment process, whilst contributing practical expertise to the academic community.

Dr Christian Baylis - Ph.D (Econometrics), Founder and Chief Investment Officer
Dr Christian Baylis is the Founder and Chief Investment Officer at Fortlake. Christian is responsible for overseeing the investment process and investment team. He is also a member of the Fortlake Asset Management Board.

Christian is a highly regarded Australian-based manager with broad experience across global fixed income and derivatives strategies, having worked previously at UBS Asset Management and the Reserve Bank of Australia (RBA).

Christian managed in excess of $8 billion AUM and was the lead Portfolio Manager in the UBS Australian Fixed Income team for the UBS Cash Plus Fund, the Insurance and ALM book of business and ran a complex suite of overlay strategies for large cross-border liability clients. Christian was also a member of the Global Multi Strategy Committee and was appointed as the Australian representative for the Global Dynamic Fund, the core global unconstrained Fixed Income offering for UBS Asset Management.

Christian was the Head of Derivative Strategy, Inflation Linked Assets and Credit Trading across the Australian Fixed Income business, managing in excess of $26 billion. This role incorporated oversight of Sector Strategy – incorporating Semi-government and Sovereign Supra National Agencies (SSAs) and the development of the associated ESG framework for these assets. As a member of the Global Multi Strategy Committee Christian was actively involved in the macro analysis and research of fixed income markets for the global Fixed Income business.

Christian joined UBS Asset Management in March 2011. Whilst managing the UBS Cash-Plus Fund from March 2011 to May 2020, Christian obtained the only 'Highly Recommended' rating from Zenith for consecutive years 2017 – 2020 for the Short-Term Credit category. Prior to this, he was a Senior Analyst at the Reserve Bank of Australia (RBA), managing the Bank's investment portfolio, liquidity and liability profile. Prior to his role at the RBA, Christian worked for Standard and Poor's, as a Rating Specialist conducting rating assessments and research.

Christian has a PhD in Econometrics from Monash University and was a recipient of the distinguished Exceed First Class Honours award, receiving a perfect GPA. Christian won the Australian Postgraduate Scholar Award at both University of New South Wales (UNSW) and the University of Sydney (USYD) for his work in the Econometrics field and was a visiting scholar at Monash University in the Econometrics faculty. Christian was also the recipient of the prestigious Capital Markets CRC PhD Scholarship where his work focused on alternative methods of inflation modelling, probability density functions and option implied distributions.

Dr Kylie-Anne Richards Ph.D (Mathematics), Deputy CIO and Chair of ESG
Dr Kylie-Anne Richards is the Deputy Chief Investment Officer and leads the implementation of responsible investment practices at Fortlake. Kylie-Anne is also a member of the Fortlake Asset Management Board and a board member of IAM Funds.

Kylie-Anne has extensive industry experience domestically and overseas, having worked at Macquarie Group in Hong Kong as Head of Financial Engineering for the Asia Pacific. Subsequently, Head of Indexation and Quantitative Trading Research at CLSA in Sydney. Most recently, she held the position of Director, Portfolio Manager at QTR Capital, a proprietary trading business, which was active in trading MSCI Global Index rebalances in developed markets globally and depository receipt arbitrage in Australia and the USA.

Kylie-Anne's work at the University of Technology Sydney involved research and teaching interests in sustainable finance, green finance, ESG and high-frequency finance. Kylie-Anne has developed and lectured the Sustainable Finance subjects offered in the Master of Finance, MBA, Executive MBA, Master of Financial Planning and Microcrediential suite. She is an internationally published academic with papers appearing in 'International Journal of Financial Engineering', 'Statistical Inference for Stochastic Processes', among others.

Kylie-Anne completed her PhD at the School of Mathematics and Statistics, The University of NSW (UNSW). She was awarded the QRSLab Boronia Managed Funds PhD Scholarship in 2011. Kylie-Anne also holds a Master of Finance (Financial Engineering) from The University of Hong Kong, a Bachelor of Science (Mathematics and

Statistics) and a Bachelor of Commerce (Finance) from The University of Melbourne.

Kylie-Anne is also a Board Member of Sport The Spectrum Ltd, a not-for-profit enriching the lives of children on the Autism Spectrum through sport.

Dr Lan Do - Portfolio Manager

Dr Lan Do is a Portfolio Manager at Fortlake with responsibility for day-to-day trading activities, portfolio analysis, portfolio optimisation, and performance reporting. Lan's responsibilities also incorporate the development of credit risk rating models and term structure models at Fortlake.

Dr Do was most recently an academic scholar at the University of New South Wales (UNSW) where her research and lecturing specialisation was on the topic of Capital Structures in Corporate Finance. Her lecturing career extended across Banking Capital, Financial Markets and Financial Econometrics.

Prior to this Dr Do was the Financials Analyst at Vietnamese Investment Group (VIG) and has also been founding partner in variety of Fintech start-up companies.

Dr Do was awarded the University Medal at the University of Technology Sydney (UTS) for her work in the field of Finance and was awarded the KPMG scholarship award for all round academic excellence.

Marta Campi – Senior Analyst

Marta Campi is a senior analyst at Fortlake with responsibilities in the development and analysis of models incorporated within the Fortlake investment process.

Marta has worked at Inrobin, consulting on statistical model specification, selection, testing, extraction, and engineering of useful features to the underlying process. She has also held a role at Costa Crociere S.P.A. developing the demand forecast and price optimisation of software and testing and validation of price recommendations and demand forecasts.

Marta has worked as a lecturer/tutor at the University College London (UCL), teaching in Statistical Methods and Probability and Statistics. She was also a research assistant in copula functions within insurance applications. Subsequently, she has held a research assistant role at Heriot-Watt Business School conducting research in Green Finance and decarbonisation.

Marta Campi received her B.Sc in Mathematical Statistics and Data Processing (SMID) at the Department of Mathematics of the School of Mathematical, Physical and Natural Sciences at the University of Genoa, Italy. She then received an MSc in Financial Econometrics taught jointly between the Department of Economics and Essex Business School at University of Essex, Colchester, UK. After that, she took an MRes in Financial Computing from the Computer Science Department at University College London (UCL), London, (UK) followed by an Mphil from the Statistical Science Department at UCL.

She has just submitted her Ph.D. thesis at the Statistical Science Department of UCL. During her Ph.D. she attended the Institute of Statistical Mathematics, Tokyo (Japan) at the Department of Statistical Modelling as a research fellow to investigate aspects of speech cybersecurity problems.

Research and educational innovation

Fortlake seeks to drive innovation in the area of sustainable finance. At Fortlake we appreciate the role that academia plays in advancing the financial system to one that is more sustainable and effectively allocates capital to transition the economy. Kylie-Anne Richards, the Chair of ESG continues to publish in the areas of sustainable finance and green finance, amongst other topics. Kylie is also a co-author of two books on Green Finance, contracted with Springer. Collaborations that both Christian Baylis and Kylie contribute span, University College London (UCL), University of California, with current areas of academic research in:

- Green Bond Performance and Risk Indicators [Campi et al., 2021]
- Climate Change Transition Risk on Sovereign Bond Markets [Collender et al., 2021]
- Reduction in carbon exposure through divestment and optimization strategies

Our Chairman, Dr Peter Higgs has been working with Interpeace in Geneva as an honorary advisor to help create a market for peace bonds, a use of proceeds bond that funds post conflict projects in fragile regions. The objective of the peace bonds is to significantly increase the funding in post-conflict projects and to ensure the funds are more effectively deployed by incorporating peace enhancement mechanisms in the projects which will help sustain peace and lower the risk of the projects.

From an educational perspective, the university sector significantly lags the dynamic and rapid evolution of the financial system with regard to sustainable finance. Kylie has developed and lectures in the following postgraduate courses: Sustainable Finance (offered in the Master of Finance, MBA, Master of Financial Planning); Sustainable Value Management (Executive MBA); and numerous microcredientials which provide credits to the Master degrees. Both Christian and Kylie from time-to-time provide feedback to research students on topics within Sustainable Finance. Christian is also an occasional guest lecturer in postgraduate courses at UTS.

2.2 Evidence Based Research

There is a long history of published literature and growing body of research that demonstrates that ESG factors contribute to both enhanced returns and risk reduction in investing. However, the literature tends to focus predominately on equities, with the integration of ESG factors into fixed income receiving significantly less coverage in academic journals. This section will discuss both academic literature, some of which are contributions by the team at Fortlake, which informs the rigorous approach Fortlake takes to the integration of ESG into its investment process.

Traditionally credit risk, which is the risk of default of the issuing company to make the required repayments and/or principal, was assessed by investors utilising fundamental factors. However, there is now significant evidence that indicates that higher ESG ratings mitigate credit risks [Barth et al., 2021, Henisz and McGlinch, 2019], thus ESG metrics complements credit ratings [Mendiratta et al., 2020]. ESG scores can be used to enhance fixed-income portfolio outcomes via lower drawdowns, reduced portfolio volatility, and further to this, the E-S-G are not related to one another, therefore all meaningfully contributing beyond traditional credit ratings [Bahra and Thukral, 2020, Giese et al., 2019].

Companies with poor sustainability ratings have a higher cost of capital [Bauer and Hann, 2010, Ghoul et al., 2011, Chava, 2014]. With the increase in environmental reporting frameworks and regulations, i.e. TCFD, there is significant pressure on corporation transparency and investors ability to evaluate an issuing company based on these factors. Firms with poor environmental profiles or high carbon footprints tend to have lower credit ratings and higher yield spreads, particularly when located in a state with stricter regulatory enforcement [Seltzer et al., 2021].

Sustainable investing is about materiality. A company that spends vast sums of money trying to address every conceivable environmental, social, and governance (ESG) issue will likely see its financial performance suffer; however, companies that focus on material issues tend to outperform those that don't. A study by Khan et al. [2017] provides empirical evidence that good performance on material issues contributes to higher financial returns. Most tellingly, the researchers found that firms with good ratings on material sustainability issues significantly outperform firms with poor ratings on those issues, firms with good ratings on immaterial issues do no better than firms with poor ratings on those issues.

Academic research by Collender et al. [2021] in collaboration with Fortlake shows that higher climate change transition risks, such as higher carbon dioxide emissions and lower renewable energy consumption increase the cost of capital for countries. If a country has higher carbon dioxide emissions and/or lower renewable energy consumption the country will have higher sovereign credit risk, thus it becomes more expensive for the country to borrow money. Climate change risk is in fact priced into bond yields, we are no longer in a world of just considering traditional macroeconomic factors such as GDP, current account, inflation, etc in the government bond sphere.

Green bonds offer another avenue of responsible investing, but carry with them a significant potential for green washing. Green bonds can be issued if the use of the proceeds is used for 'green projects' for example, interventions to cut emissions or promote resource conservation. The green bond market (along with the social and sustainability bond market) is growing exponentially and issuance is over 1.7 trillion in 2021. This market is a core capital provider for transitioning the economy to achieve the Paris Agreement goal of 'limiting warming to below 1.5 degrees Celsius, compared to pre-industrial levels'. Academic research, in collaboration with Fortlake, is providing impactful and necessary tools, bridging the gap between financial and environmental data to capture the risk and performance of these bonds [Campi et al., 2021].

2.3 Exclusions

Exclusions typically include companies that are involved in the production of controversial weapons, indisputably harmful products such as tobacco, human rights abuses such as child labour and serious corporate governance breaches with no demonstration of resolution. The decision of what to exclude is underpinned by Fortlake's responsible investing philosophy and guided by the UN Global Compact non-compliance in terms of inappropriate business practices. In addition, some exclusions are required by law.

Some of the common core exclusions within our fixed income portfolios are:

- Thermal Coal Producers - investing in coal miners with greater than 20% of revenue from the sale of thermal coal and oil sand extraction.
- Tobacco - also those securities issued by companies that manufacture cigarettes and tobacco products classified under GICS sub-industry code 30203010 are excluded.
- Anti-Personnel Mines - actual or potential investment in the production of landmines. (Antipersonnel Mines Convention Act 1998)
- Controversial weapons - investing directly or via subsidiaries in the dealing in automatic or semi-automatic firearms.
- Nuclear Explosive Devices - investment directly or via subsidiaries with the design, testing, assembly/refurbishment of nuclear explosive devices. This would be contrary to the treaty on the Non-Proliferation of Nuclear Weapons (NPT) and the Comprehensive Nuclear Test Ban Treaty (CTBT), which Australia signed in 1973 and 1998, respectively.

- Modern Day Slavery and Human Rights – investment in firms that have high-risk business models (i.e. third party labour arrangements), high-risk categories of products and services, specific high-risk geographies and those without robust supplier risk management systems. (The Commonwealth Modern Day Act 2018)
- Indigenous Peoples – investments in companies that have a pattern and practice of violating the rights of Indigenous Peoples.
- Country/sovereign debt - human rights, governance, sanctions.
- UN Global Compact non-compliance

For example, in Australia, we would consider Metro Mining Ltd, New Hope Corp Ltd, Prairie Mining Ltd, Terracom Ltd, and Whitehaven Coal Ltd as exclusions within the thermal coal producers category

Dynamic exclusions include companies that are excluded temporarily due to practices that are not aligned with ESG values due to, for example:

- Environmental practices
- Corporate governance
- Labour practices
- Cyber-security
- Other controversies

2.4 Data and Financial Materiality

There has been a rapid expansion of the ESG ecosystem and this has been driven in part by both frameworks, regulation, and client pressure for companies to report with greater transparency. At the same time, investors have been exploring pathways for ESG integration, re-actively looking to better understand corporate ESG performance to better respond to client pressure, and proactively seeking means to apply ESG in ways that might improve investment decisions [Wong and Petroy, 2020].

Fortlake has a fully embedded ESG integration process. This however requires various data sources and careful analysis. Whilst ESG ratings are a useful starting point for the assessment of issuing companies, they are often inaccurate and backwards looking. In some cases there can be some significant fundamental concerns about ESG performance scores. However, specialist third-party ESG rating data plays a role within the investment process, but this requires a clear understanding of the limitations of these ESG metrics, the methodologies used by ESG data providers and the complexity and variety of data inputs mean that the ratings are simply a starting point for analysis. At Fortlake we utilise specialist third-party ESG ratings from a variety of sources, for example, Bloomberg's proprietary fields a which cover over 1,000 ESG metrics (and growing), and third party data such as MSCI, Sustainalytics, ISS.

Outside of areas such as Modern Day slavery, we utilise only financially material issues, as the integration of immaterial sustainability factors do not lead to outperformance [Khan et al., 2017]. Identification of sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry form a key part of the methodology. Sustainability reporting and integrated reports are also reviewed, particularly in the case of private issuers due to lack of quantitative inputs from third party providers. However, a known limitation of the various sustainability reporting frameworks such as SASB and GRI is that companies decide what is financially material and what information should be disclosed, taking legal requirements into account.

This further points to the necessity of a multifaceted approach to the assessment of issuing companies and multiple inputs into the investment process. The collection of data and other information is only the starting point. What is important to note is that to utilise the many sources of data, sophisticated statistical and programmatic techniques are required before integration into the investment process.

2.5 Integration

The Fortlake strategy is quantitative lead and seeks to generate real-returns in the most liquid parts of the fixed income market using specialised inflation hedging techniques which are only available to institutional-grade fixed income managers. Understanding the interaction between inflation-sensitive markets and risk markets is an integral part of the investment process. In addition, Fortlake seeks to understand and quantify how ESG risks, alongside traditional financial factors, can manifest over time and lead to deteriorating or improving credit outcomes.

ESG scores are determined by our proprietary ESG Analysis Framework. A method of creating comparable scores is needed to be a valid input into a quantitative process such as ours. There is no market standard for ESG scoring and no single provider which covers all dimensions. In addition, exogenous drivers such as size, activity and country can create biases within ESG scores that require correction and standardisation. The quantitative scoring system within Fortlake seeks to achieve robust ESG scores by bringing together multiple external providers (discussed in the prior section) and utilising rigorous statistical methods to compress datasets, consisting of nonlinear features, into an internal rating, being the Fortlake proprietary ESG rating (FESG).

FESG for the issuer is constructed from multiple data sources with multiple properties, for which they are combined into a single series. The data may take many forms, i.e. categorical, ordinal, scoring, counts, real value, where a simple linear combining rule for mixed-typed data may not be appropriate. Two additional important point need to be clarified about the data utilised: (1) irregularity of sampling times and (2) the different dimensions of the attributes. Consider one feature vector (otherwise known as a set of data) of a bond that may be the environmental attributes. This leads to a set of features over time which will be multi-variate and have multiple attributes. The whole idea is that the index is condensed into a single scalar with the appropriate techniques that capture the critical information required to contribute meaningfully to the investment process.

The ESG rating scores from third party providers are at the company level. The FESG ratings go well beyond this. For a start, climate change and transitions risks are being priced into sovereign bond yield spreads [Collender et al., 2021] and cannot be ignored within the investment process. At both the corporate and sovereign level, ESG risk characteristics will vary with bond attributes such as tenor.

Whilst there is a sophisticated quantitative assessment of ESG factors, Fortlake employs a qualitative overlay. Constant monitoring of issuing companies, for example, recent controversies which provide an additional check on management's abilities, and potential future liabilities. All portfolio managers at Fortlake have Bloomberg alerts which will capture incidents affecting companies, including criticism and allegations, lawsuits, fines and other adverse events.

We consider different prisms for which we view ESG integration depending on the type of fund and therefore, investor objectives. Broadly speaking, variations on the described methodology is augmented based on the goals of the investor.

Best Practice: Corporate Ethos that Prioritises ESG

Fortlake recognises that to achieve best practice at the firm level, implementing a systematic and inclusive approach which prioritises ESG is essential. Diversity of views are brought to the table on policy-making, ensuring that the ESG policies are clearly understood, measurable and transparent. Review of the ESG policy is critical at the firm level, as it is a rapidly evolving construct, with external regulatory and legislative imperatives developing at pace

The ESG committee reports recommendations directly to the Board of Directors of Fortlake. This ensures all organisational perspectives are considered when implementing the policy.

At Fortlake Asset Management we have been a signatory to the UN Principles for Responsible Investment (UN PRI) since the commencement of the business. As responsible institutional investors, and in line with our commitment as a PRI Signatory, Fortlake has a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that financially material environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios.

Fortlake also recognises that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, Fortlake commits to the following:

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.

As part of our commitment to stewardship practices, we are also actively involved in several industry associations or initiatives relating to responsible investment. Fortlake is a signatory to, member of, or participant in:

Task Force on Climate-related Financial Disclosures (TCFD). The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. The TCFD recommendations have become a key voluntary disclosure framework globally, and very recently regulation in some markets. Fortlake Asset Management is a formal supporter of the TCFD.

Climate Action 100+. Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. We are signatories and investor participants.

Responsible Investment Association Australasia (RIAA). The Responsible Investment Association Australasia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. RIAA is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy. Dr Kylie-Anne Richards, is a member of the RIAA Certification Program Technical Expert Group (TEG).

3.1 Policies and Review Process

In accordance with regulatory requirements, Fortlake maintains a Conflict of Interest Management Policy. The purpose of this policy is to ensure Fortlake Asset Management Pty Ltd (Fortlake) has arrangements in place to adequately identify and manage actual or potential conflicts of interest which may arise in relation to the provision of Financial Services by Fortlake and its Employees. The person with primary responsibility for the performance of the duties under this policy, monitoring identified conflicts of interest and reporting oversight and actions performed by or in conjunction with the responsible executive leadership team members is the Compliance Officer / Legal and Compliance and governance team. The Compliance Officer / Legal and Compliance must ensure all its staff are trained on this policy and a record of such training is maintained in a training register, which may form part of each Representative's training plan.

As a part of the UN PRI signatory requirements, we disclose our ESG Policy publicly and our PRI Transparency Report to our clients. We also monitor and report on our ESG activity on an annual basis. The policy is reviewed regularly to measure success and determine whether it continues to reflect our investment beliefs. For example, providing innovative research that is a core component of Fortlake's investment philosophy. Therefore, new and innovative approaches which relate to responsible investing are incorporated within the policy and integrated into the investment process.

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