



Responsible Investment Policy

July 2024

Signatory of:



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Introduction

The purpose of this document is to articulate PM Capital’s policy and views on “Responsible Investment”. PM Capital regards Responsible Investment as “a common-sense consideration” in terms of assessing existing and prospective investments.

It is apparent that there has been a major upwelling in lobby groups and organizations researching, collating and distributing information within the field, as well as an increasing public awareness of environmental, social and governance issues that may impact investment performance. This has led to investors being increasingly aware of the link between a company’s sustainable practices and long-term profitability.

As such, PM Capital has sought to extract Responsible Investment components and document them in a practical and efficient manner. We do recognise that, to review a position as a Responsible Investment, ESG factors should be considered as part of an overall assessment of a company’s risk management framework to the extent that these may impact the value of the company over time. In our quest for a portfolio of good quality businesses, sustainability issues are inherently analysed.

This Policy will be considered progressively and continually developed and enhanced over time.

PM CAPITAL defines RI as follows. “Responsible Investment” is an investment process that considers the governance, social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis.

PM CAPITAL’S PHILOSOPHY ON RESPONSIBLE INVESTMENT

PM Capital is an active investment manager and an absolute return manager. Examination of ESG factors assists PM Capital in its review and analysis of investment qualities that exhibit a socially responsible investment.

PM Capital seeks to incorporate a common sense, case by case qualitative approach to assessing individual corporate ESG performance. PM Capital does not have a predetermined view on what considerations and standards it will take into account when making investments for the Funds.

In terms of the extent to which ESG standards and considerations are taken into account when making investments for the Funds, PM Capital does not apply a set methodology for taking such ESG standards and considerations into account, and has no set approach to monitoring or reviewing these standards. PM Capital does not use a weighting system to apply a weight to ESG standards and considerations and does not rely on sustainability metrics or third-party ESG datasets. Additionally, PM Capital does not have a fixed timeframe for reviewing investments for ESG purposes. As such, PM Capital has no predetermined view about how the extent to which labour standards or environmental, social or ethical considerations are taken into account. PM Capital has no predetermined view about what will or may occur when an investment is no longer consistent with its ESG policies.

Long Term Investor

Investors with a short-term focus may often have interests in companies which exploit opportunities that may, in fact, be detrimental to the company’s shareholder value in the long term. PM Capital is committed to delivering long term investment performance.

Long term investors typically take much greater interest in ensuring that a company conducts its business operations in a sound and sustainable manner. PM Capital are true investors as opposed to traders, with an investment horizon of 3 to 5 years and beyond. As a long-term owner of the business this gives PM Capital the opportunity to engage meaningfully with the company on ESG issues.

Absolute Returns and Active Manager

In contrast to passive or index investing, PM Capital's active and concentrated portfolio necessitates vigorous insight and analysis of a company's share price drivers and governance structures, as well as reviewing comparable metrics to other stocks within a portfolio or a mandates' universe. PM Capital is committed to active management of its investment positions.

TOOLS FOR ENGAGING MEANINGFUL ACTION WITHIN ESG

Screening

PM Capital has a policy of exclusion when we feel that a company or sector can not as a result of its primary business activities be considered to be a Responsible Investment.

The exclusion of a stock or sector has a negligible effect on the size of the investable universe. Subject to specific strategies, PM Capital is typically looking to hold (approximately) 25-45 investment positions in its portfolios at any time.

While we may exclude certain companies or sectors from time to time, we acknowledge that this may in the short-term affect investment performance on a relative basis. However, in the long term, we believe that the investment performance of quality business franchises will ultimately prevail and deliver above average shareholder value. Many people believe a negative screening process forces an unacceptable trade-off between ethical criteria and investment returns. For PM Capital, research of sustainability factors within the context of an effective company risk management framework plays a key role in achieving our primary aim – that is, to maximize long-term returns for investors over a three to five year period.

Corporate Governance

Proxy Voting

PM Capital has a policy of using the funds' voting power in general meetings of company shareholders to support or oppose resolutions as necessary to attempt to achieve a specific objective. PM Capital will generally oppose proposals such as:

- election of inappropriate directors, particularly where there is not a majority of independent directors, where Board quality is considered an issue, or where there has been excessive turnover of Board / senior executives;
- excessive remuneration arrangements, or a lack of alignment of executive incentive structures with that of shareholders and a company's operating performance;
- appointment of auditors who are not independent.

Corporate Engagement

PM Capital's investment team regularly meet with and/or engage operational management of companies that we invest in. We also engage Board members when deemed appropriate. We do not normally engage third parties to represent our views. The kinds of issues that might be raised with companies are:

- assessed gaps or flaws in a company's risk management framework;
- assessed weaknesses in Board composition;
- excessive executive remuneration arrangements;
- concerns about corporate governance practices;
- concerns about environmental practices;
- concerns about social issues;

As such, consideration is given to analysing a range of sustainable business practices as well as the financial impact of a company's ESG factors where deemed appropriate.

PM Capital acknowledges that the UNPRI is a voluntary, aspirational initiative that provides a framework for integrating ESG considerations into investment decision-making. PM Capital regards Responsible Investment as essential part of this process. We do recognise that ESG factors, among other factors, may impact shareholder value and as such have chosen to be a signatory to UNPRI.

APPENDIX A

Appendix A provides a summary of (but is not limited to) ESG matters that may form part of PM Capital's consideration of a company's risk management framework for existing / prospective investments.

Appendix A

The following (non-exhaustive) factors may form part of the consideration in the context of the overall assessment of a company's risk management framework:

Governance

1. Board Structure
 - Board independence (majority of directors)
 - executive management representation
 - major shareholder representation (including associates)
2. Operational Risk Management / Monitoring (among others)
 - audit committee representation
 - remuneration committee representation
 - other key operational committees (define in need)
3. Directors Remuneration
 - options issuance (not excessive, if at all)
 - alignment with shareholders' interests
4. Executive Remuneration
 - TSR/ROE – based incentives
 - alignment with shareholders interests
 - balance between Short Term Incentive and Long Term Incentive structures

Environment

1. Sustainability Management Practices
 - explicit policy on sustainability practices / benchmarks
 - monitoring / reporting of key sustainability issues to shareholders
2. Carbon Emission Reduction Policy
 - explicit carbon emission reduction targets
 - monitoring / reporting of carbon emission reduction performance (versus targets)

Social

1. Occupational Health & Safety Standards
 - explicit policy on management of key OH & S issues
 - monitoring / reporting of OH & S issues to shareholders, including safety performance
2. Child Labor Risk Management
 - explicit policy on "supply chain" risk management practices and management of child labour risk
 - monitoring and reporting on compliance with child labour standards to shareholders
3. Other
 - define in need

CONTACT US

PM Capital

Head Office

Level 11, 68 York Street
Sydney NSW 2000

Ph: (02) 8243 0888
Email: pmcapital@pmcapital.com.au
Website: www.pmcapital.com.au