



## Selector Funds Management Limited

# Financial Sustainability, Social, Governance and Environment (FSSGE) Policy



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## Introduction

Our goal is to provide compound returns over time. To achieve this goal, we need to own durable businesses. We seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets and with a focus on capital management.

Selector Funds Management Limited (SFML) acknowledges the importance of an integrated and consistent approach to Financial Sustainability, Social, Governance and Environment (**FSSGE**) risk factors across each aspect of our investment decision making process.

Companies that make short term decision in relation to business investment, customers, employees, suppliers, environment and broader society are unlikely to be long-term rewarding investments.

This document references Environment, Social & Governance (ESG) as a general concept. Our framework, an integrated approach, applies a lens of Financial Sustainability (FS) to this concept. Businesses that are not financially sustainable rarely have the resources, beyond cheerful words, to devote to environmental programs. Their social and governance structures are typically less developed and are unlikely to be fit for purpose. We have seen this in the micro-cap businesses that we have owned. We have discussed this concept at length with responsible boards who have been transparent about the pragmatic approach they are required to navigate when they are not financially sustainable.

In practical terms our ESG roadmap should be read in conjunction with our comprehensive roadmap which measures important quantitative and qualitative trends, including financial sustainability. Our findings are generated from the inhouse research work undertaken in our three distinct work programs that include corporate engagement, quantitative modelling and voting.

## Our Business

We extend the consideration of FSSGE to our own business activities. We place the highest priority on the wellbeing of our team, their safety, career progression, succession, work life balance and financial security. We start from a position of strength. Our strong balance sheet enables us to invest in our business on an ongoing basis.

We support unique education opportunities and tailor career development pathways for the ambitious and entrepreneurial minds within our team.

Our internal governance program is supplemented with external expertise and oversight. This provides transparency, accountability, independence and importantly an ongoing source of new learning. Multiple sets of external eyes review our process and systems.

Our environmental footprint is both measured and offset. Today, our **carbon footprint** sits at circa 100 tonnes of emissions per annum. In total, our journey to carbon negative since inception has resulted in 745 tonnes of carbon emission offset. We review the relevance of this program annually and we expect it to evolve as we learn.

Other initiatives that impact our team and community include:

- SFML is a sponsor of **Climeworks**, who design, build, and operate direct air capture and storage facilities to remove CO<sub>2</sub> from the air. Climeworks combines its direct air capture technology with permanent underground storage (direct air capture and storage = DAC+S) to lock the air-captured CO<sub>2</sub> away so it can no longer contribute to global warming. Direct air capture is one of today's most promising carbon removal technologies. According to the [SBTi standard](#), a credible, science-based net-zero strategy must combine both emissions reductions and the active removal of unavoidable CO<sub>2</sub> emissions. Climeworks direct air capture and storage (DAC+S) technology removes unavoidable and historic CO<sub>2</sub> from the air on behalf of SFML. SFML participation has resulted in 4.675 tonnes of CO<sub>2</sub> removal since 2021.



- SFML’s **Environment and Society leave** program (E&S leave) encourages all team members to engage in local environmental, social, community or charitable events that they have personal interest in.
- The **SFML Parental leave** program for team members welcomes a newborn or adopted child into their family unit as detailed in the *SFML Leave and Work from Home Policy*.

## Our Portfolio Investments

Our confidence in tackling this broad agenda stems from our belief that Financial Sustainability, Social, Governance and Environmental (**FSSGE**) considerations are embedded at the centre of each of the four elements of our stock selection process: **people, business, balance sheet** and **capital management**, the later being a proxy for real earnings per share (EPS) growth. ESG is not simply tacked on as a final question before closing a meeting, or as a tick the box exercise.

Companies who combine superior cultural behaviours with business leadership qualities have both the financial resources and are better disposed to responsible management of Social, Governance and Environmental issues. They increase shareholder wealth through higher staff engagement and retention (people), they pursue business leadership through consistent reinvestment (business), and they are better managers of financial risk (balance sheet), including cashflows and real earnings per share growth (capital management).

In our experience, given time, superior culture drives real earnings per share growth and share price follows. This meets our long-term goal, while contributing positively to the development of society and the communities in which our selected businesses operate. This reflects responsible<sup>1</sup> business practice.

Conversely, companies unwilling (**people** or **business**) or financially unable (**balance sheet** or **capital management**) to support an internal culture that fosters strong ESG outcomes, risk delivering diminished investment returns over the longer term.

SFML seeks to understand the many and varied **social (S)** factors affecting a company’s financial performance from both short and long-term perspectives. Areas of focus are human capital management, modern slavery and specifically fixed and performance-based remuneration and the behaviours it drives. While these elements represent hygiene factors, career development, internal education and growth pathways are important in fostering talent retention, reducing unwanted turnover and driving internal succession across all roles within a business.

Management of supply chain risk and end customer relations are additional areas of importance that can drive or reduce market share. In assessing these factors and others, we are attempting to distinguish one off or short-term noise from longer term structural issues that inevitably erode shareholder returns.

Corporate **governance (G)** involves a set of rules and relationships between a company’s management, board, shareholders, and external stakeholders. Exacting standards of ethics and governance are a given as they are non-negotiable in our investment process. Yet clearly SFML has a role to play here. We have a structured process for engaging and voting on each resolution that crosses our table. We believe this approach means our collective voice (representing our clients) is heard over the long term. Here we can be, as we have been in the past, responsible for meaningful change. We take this role seriously and document our approach.

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<sup>1</sup> In our *Conclusion* on page 26, we explain why the use of the word “sustainability” has been replaced with “responsible” here.



From an **environmental (E)** perspective, climate research is compelling. At the extreme, some assets will become stranded by the impacts of climate change, and some companies may become uninvestable, due to a set of business risks that can no longer be quantified.

Yet we believe standardised reporting across our investment universe remains some way off. For this reason, SFML was a supporter of the [Task Force on Climate-Related Financial Disclosure](#) (TCFD) Asia Pacific region, as well as the subsequent International Sustainability Standards Board (ISSB) disclosure standards – notably IFRS S1 and IFRS S2 – which were adopted by the Australian Accounting Standards Board (AASB) as AASB S1 and AASB S2.

In this document:

- We explain how our **investment process**, including our historic focus on culture and sensible financial outcomes, lends itself to strong ESG outcomes. This is based on our belief that strong culture drives strong Social and Governance outcomes, two key ingredients of business sustainability which in turn flow through to improved Environmental outcomes.
- We outline our **mandate exclusions**, or negative screen, which increases the quality of our stock selection process. We also summarise how our investment **universe** is reflective of our approach to driving better ESG outcomes.
- We discuss how our **Roadmaps** provide the consistent and repeatable framework used to execute our strong **corporate engagement** and **quantitative programs**, both of which we believe drive superior ESG outcomes. Our Roadmaps also shape our approach to voting.

In recent years we have taken progressive steps to better understand Environmental risk and we are actively seeking improved financial disclosure from the companies we invest in. This is addressed in our **Climate Focus on page 8**.

We review our **structured approach to voting** in our separate **voting policy**.

## Investment Process

Our investment process is driven by bottom-up stock selection, as a result FSSGE is reviewed on a business-by-business basis. We operate a consistent repeatable framework described below.

FSSGE consideration is integrated into the three core areas of our investment process:

1. Corporate engagement program;
2. Quantitative modelling program; and
3. Voting program.

The three programs of work listed above are applied consistently to each business that we research. Ultimately, we are seeking businesses with leadership qualities, run by competent management teams, underpinned by a strong balance sheet and with a focus on capital management. Each of these four elements has its roots in the culture and financials of a business, and FSSGE is a direct outcome of the combined culture and financial sustainability of the business.

We believe Culture, Financials and ESG are tightly intertwined. We consider them integral to our assessment of a business. Voting is the other half of FSSGE. In relation to the portfolio all resolutions are documented, researched and voted in-house.

Our ongoing focus on the individual culture and financial sustainability of a business lends itself to strong FSSGE outcomes at a business and portfolio level. This is evidenced by portfolio emissions significantly lower than index emissions, coupled with outperformance since inception.



All research is undertaken in-house by the Portfolio Managers and investment team. This is an intensive, granular and in-depth approach to continuous learning.

Our investment approach is a risk out process. We are trying to take as much risk off the table as possible before we invest. The key areas of risk we focus on are board and management competency and the culture they are responsible for, business qualities, balance sheet and capital management. We believe a common-sense approach holds that a net cash balance sheet carries lower risk and more optionality than an optimised or extended balance sheet. We ultimately compare equity risk to a risk-free rate.

Before we invest, we seek to understand which risks a business can control verse those outside its control. For this to be possible, risk must be reported in a consistent and transparent fashion to avoid any surprises.

Risk sits in each bucket of FS, S, G and E. Our program of corporate engagement and financial modelling has aided our understanding of risk in the FS, S and G buckets since inception. We have taken progressive steps to better understand Environmental risk, and we are active in seeking transparent disclosure from the companies we invest in.

Our conviction in this process generates a concentrated portfolio of our best ideas, or our highest quality stock picks. The aim is to capture as much real earnings per share growth as possible over the long-term. In essence we are seeking compound earnings growth.

Our approach has been consistent since inception. It is framed by our Roadmap, which is both qualitative and quantitative in nature. Our Roadmap provides a repeatable framework that drives our corporate engagement program, our quantitative program of financial modelling including our stock universe data screen, and our structured voting program. Each of these programs are discussed below.

These areas of work are not rigid, they evolve over time as we continuously seek to incorporate better solutions. By way of example, today we employ more human capital, with more diversity of thought, have better external and internal business systems, use and develop more technology and automation, and we have more robust compliance systems aided by external expertise, than was the case in the first year of operation 20 years ago.

This consistent reinvestment in our business, over time, has driven continuous improvement of the investment process. We actively challenge our team and ourselves to seek better outcomes across every aspect of the business rather than accepting mediocre process or status quo. To accept the status quo is to go backwards.

## Corporate Engagement Program

Our Corporate Engagement program is a foundation of our investment process.

We engage with board members and management teams, attend Annual General Meetings (AGM), and undertake site visits. Two Portfolio Managers attend these meetings which can occur in office, onsite and at interstate or international locations of interest. In addition, we have the highest quality technology systems deployed in all conference areas to aid this program where travel is not permitted.

We engage with management to understand the culture of a business, the reason it is in existence and its prospects for the future. We do this because we believe culture is the most important driver of future business success.

From these engagements, notes are produced and recorded. We consider each meeting as a page in the book of understanding an individual business and its culture. This work is a key plank of our understanding of the categories of FSSGE.

We believe culture, financial sustainability and ESG are intertwined, with the former driving the later. We have focused on the culture that drives the social and governance process within a business since inception.



This granular approach in understanding the culture of each business aids our evaluation of the short and long-term remuneration structures tied to non-financial outcomes. This is described in our voting policy.

We have extended our Roadmap, in recent years, to address specifics such as Climate. We supported TCFD in promoting consistency and transparency of financial reporting in this area. Our ESG Roadmap scoring system is integrated into our financial models alongside our original Roadmap.

Our investment framework including, Roadmap, ESG Roadmap, corporate engagement program and voting programs link FSSGE materiality at each point.

The ratings derived from this process, alongside our Buyout valuation drive our portfolio construction. They impact both buy and sell decisions and position weights.

For example, our Roadmap and ESG Roadmap form the basis of our risk out up-front approach. We will not make an investment unless cultural alignment exists. This may be based on Governance, Social or Environmental concerns.

The most defining outcome is that we will not invest and will divest if we do not have confidence in management and or board in relation to our investment framework.

In addition, our Corporate Engagements have led to material changes at portfolio companies. We link the Financial Sustainability outcomes achieved by our corporate engagements to the ability to fund important Social Governance and Environmental resourcing and projects. The outcomes of these endeavours effectively provide the social licence to earn future revenues.

Examples.

- Computershare removed its debt leverage target as its cash position improved
- OFX opting for flexibility of buyback rather than dividend reinstatement
- Jumbo opting for flexible buyback rather than special dividends
- Reece opting for flexibility of buyback in capital management structure

SFML has historically averaged 500 corporate engagements on an annual basis. These engagements in the 2023 – 2025 period have included site visits across USA and South America, Europe, UK, Ireland and Asia, including India.

## Quantitative Research Program

Our quantitative approach centred on financial modelling is also undertaken in-house. Individual company models are built using a consistent repeatable template. Information is taken from multiple annual reports and other publicly available documents. No information dumps occur as we prefer the granular approach of extracting and understanding the individual numbers behind the multiyear trends that are drawn out of this work.

While over 50 financial ratios are calculated in addition to our buy-out ratio, which we compare to a risk-free rate, it is the longer-term trends that hold our attention. While hundreds of models have been built since inception, over 100 models are continuously up to date, per reporting period, and feed our stock universe data pool.

This granular approach to understanding financial drivers of each business aids our evaluation of the short and long-term remuneration structures tied to specific financial outcomes.

## Voting program

Through our corporate engagement program, we can exert influence for change on a business. Undoubtedly this is stronger when we have an aggregate holding within the top 20 shareholders of a business. That said, arguably



we have more influence when we have a long-term professional relationship with a public company, its management team and board. Two examples of areas we believe require input are capital management and remuneration.

Decisions about executive pay can have an indelible impact on a company. When compensation is managed carefully, it aligns people's behaviour with the company's strategy and generates better performance. When it is managed poorly, the effects can be devastating: the loss of key talent, demotivation, misaligned objectives, and higher costs can drive poor shareholder returns. Given the high stakes, it is critical for boards and management teams to get compensation right.

In relation to voting, we have adopted a structured program of work that dovetails with our corporate engagement program. Importantly, we vote as long-term owners of a business and we attend AGMs in person where possible. See separate voting policy.

All resolutions are documented, considered, and commented on by the Portfolio Managers, before votes are submitted. While we do not subscribe to any proxy services, our continuous dialogue with clients and the companies we own, enable us to quickly understand any areas of public interest which require our consideration. While this can be circular and time consuming, the granularity of this approach aids our continuous learning about the businesses and their stakeholders.

This is a substantial piece of work undertaken by the Portfolio Managers and the Investment team. Alongside our corporate engagement program, we believe this proactive approach to voting drives better insight and a greater understanding of a business, and the issues and risks it faces, than would occur if we otherwise outsourced our voting responsibilities or simply followed the recommendations of a proxy advisor service.

## Climate Focus

Around the globe, regulation and legislation is starting to tackle the large, systemic and structural changes that limiting climate change will require. The Paris agreement of 2016, a platform to address and minimise rising global temperatures, has shifted the conversation to a fundamental economic and financial risk return discussion.

SFML believes all companies and organisations have a responsibility to consider the risks of climate change and to ensure their business is resilient in a low carbon future. Business and asset owners also need to be cognisant of the financial impacts of a future where carbon is priced appropriately by an efficient market mechanism.

Alongside our program of direct corporate engagement, SFML digests information from annual reports and climate change statements where available. Not all companies are reporting and for those who are, company reporting is often not directly comparable.

Across our portfolio of holdings, we will advocate for the recognition, establishment and inclusion of Paris based targets and or science-based climate targets, emissions targets and/or renewable energy targets. Once these base targets are established, progress can be tracked.

We are also monitoring our companies for no efforts, and no accountability. We are not proposing to exit investments based on our climate policy, this will not solve problems as we note in our concluding remarks. We believe we can have far greater impact via our corporate engagement program and our voting program.

In 2021, SFML became a supporting party to the Task Force on Climate Related Financial Disclosure (TCFD) and its principles, in pursuit of greater transparency on these important issues. We have adopted the aspects of this voluntary guideline that make sense within the context of our investment process.



## Roadmap

Qualitative			Quantitative		
Management Qualities	Owner Qualities	Focus	Growth	Business Franchise	Balance Sheet
Individuals we can trust	Material equity holding	Business point of difference	Reinvesting in business R&D	Financial Metrics Working Cap	Low debt levels
Organic business focus	Common bond ordinary shareholder	Core Business	Capacity to grow EPS organic	Pricing Power within industry	Simple structure
Clear articulation strategy	Track record Inc ESG	Not react to share market pressure	Free cash flow	ROCE	Maintenance Cap Ex

### Roadmap scorecard

18 filter Quantitative and Qualitative score card applied to each business  
 Minimum score of 10 / 18 sort for portfolio inclusion

The purpose of our Roadmap is to enable us to operate under a consistent framework that is repeatable. The Roadmap was developed when SFML was established, 20 years ago, and is a qualitative and quantitative business score card.

Businesses are scored on 18 attributes. This score is integrated into our financial model and is reviewed at the half and full year results. One of these attributes is the company's ESG track record, which directly addresses ESG factors within a business.

In addition, we consider seven of the remaining 17 roadmap qualities to be directly related to ESG on the basis that they are measuring cultural elements within the business.

We believe Culture and ESG are intertwined. We consider them both integral to our assessment of a business. Ultimately, we are seeking a higher quality subset of businesses that can deliver real EPS growth over the long term.

The seven elements include:

- Individuals we can trust – relates to ESG.
- Clear articulation of strategy – relates to ESG.
- Common bond with ordinary shareholders – relates to ESG.
- Not reacting to share market pressure – relates to Governance.
- Core business – relates to ESG.
- Free cash flow – relates to ESG.
- Low debt levels – relates to ESG.



## ESG Roadmap

Consideration			
Social	Human Capital Management	Community (including MS*)	Best Interests
Governance	Board effectiveness	Shareholder interests	Risk, Litigation & Cyber
Environment	Climate Targets	Renewable targets	Progress against target

### Roadmap scorecard

9 filters applied to each portfolio business

\*Modern Slavery (MS)

The ESG 1.0 Roadmap, developed in-house in 2019, defines ESG issues that may impact companies and applies a score of 1 or 0 for each area under consideration. The ESG 2.0 Roadmap iteration was created in 2021, with changes integrated into our portfolio models thereafter.

Like our quantitative and qualitative Roadmap that we adopted at inception in 2004, we set out to develop an ESG Roadmap in late 2019. This was integrated into our models in 2020 and is scored each time a company reports financial results.

The premise is, if the right questions are asked at regular intervals and recorded, then we are well placed to observe trends over time, be they positive or negative. The ESG Roadmap consists of three categories: Environmental, Social and Governance (our original Roadmap has two, Quantitative and Qualitative), with 12 subcategories that prompt the evaluation of multiple questions. A simple 1 or 0 scoring system is applied.

We do not obsess on the scores generated; we are looking for trends over time. The intention is the ESG Roadmap will evolve to ensure relevance and value add. For instance, after a year in use we have determined that two categories can be merged. Simple, repeatable processes are often more effective.

The following is a breakdown of the ESG Roadmap areas:

- Human Capital Management – *“Is there a history of human rights violations, workplace and IR disputes, discrimination and harassment claims?”* Rating of the company’s employee engagement, turnover and productivity. Compare the company’s work, health, and safety (WHS) standards against peers, including their recording and track record of incidents.
- Community – Rating of the company’s community engagement and social licence to operate. Consider whether the company has a framework on social issues across its supply chain, including labour standards, child labour, health & safety, discrimination, and harassment.
- Best Interests – *“Is the company behaving in a manner that is in the best interests of stakeholders.”*



- Board effectiveness – Assessment of the board including industry experience, independence, age, diversity, tenure, equity ownership and capacity.
- Shareholder interests – Assessment of the remuneration structure, shareholder communication, corporate disclosure, and reliability of financial statements. Test the factors against the company's corporate strategy and whether they are in line with shareholder interests.
- Risk, Litigation & Cyber – Rating of the company's internal risk and control framework.
- Climate targets – Assessment of the company's plans relating to carbon neutrality, Paris commitments, scientific targets, or emission targets. "0" rating for no effort.
- Renewable targets – Assessment of the company's documented use of renewables mix or implemented targets for renewable energy.
- Progress against target – Measuring progress made against announced targets. "0" rating for no effort.

## Material FSSGE Issues

SFML believe a deep understanding of the underlying business and its associated risks drives better investment decisions. Our starting point is fundamental bottom-up analysis. We aim to understand a business as well as it is possible for an "outsider" and to increase our understanding over time. Our risk out process focuses on a business's culture and financials. We believe Culture, Financials and ESG are tightly intertwined.

Material FSSGE issues are identified through:

1. Wide range reading of publicly available corporate documents, research & publications; and
2. Our corporate engagement program.

Material FSSGE issues are assessed against:

1. Our Roadmap and ESG Roadmap framework; and
2. Our long term, common sense-based, bottom-up stock selection process.

Material FSSGE issues are described as:

A set of factors and responsibilities that impact the operation of business. Grouped together we would describe them as risk. We break these risk areas down into a set of manageable attributes that can be reviewed consistently. These attributes are identified and reflected in both:

1. Our Roadmap; and
2. Our ESG Roadmap.

Our Portfolio Climate Reporting has identified a subset of 2% of the portfolio where we consider the business is inactive in relation to climate disclosure.

Material FSSGE issues may be recorded as follows:

1. Internal notes are maintained on each corporate engagement undertaken by the Portfolio Managers;
2. We vote on each resolution relating to every company that we own, records are maintained; and
3. In businesses we do not own, material FSSGE issues appear in our quarterly newsletters from time to time.

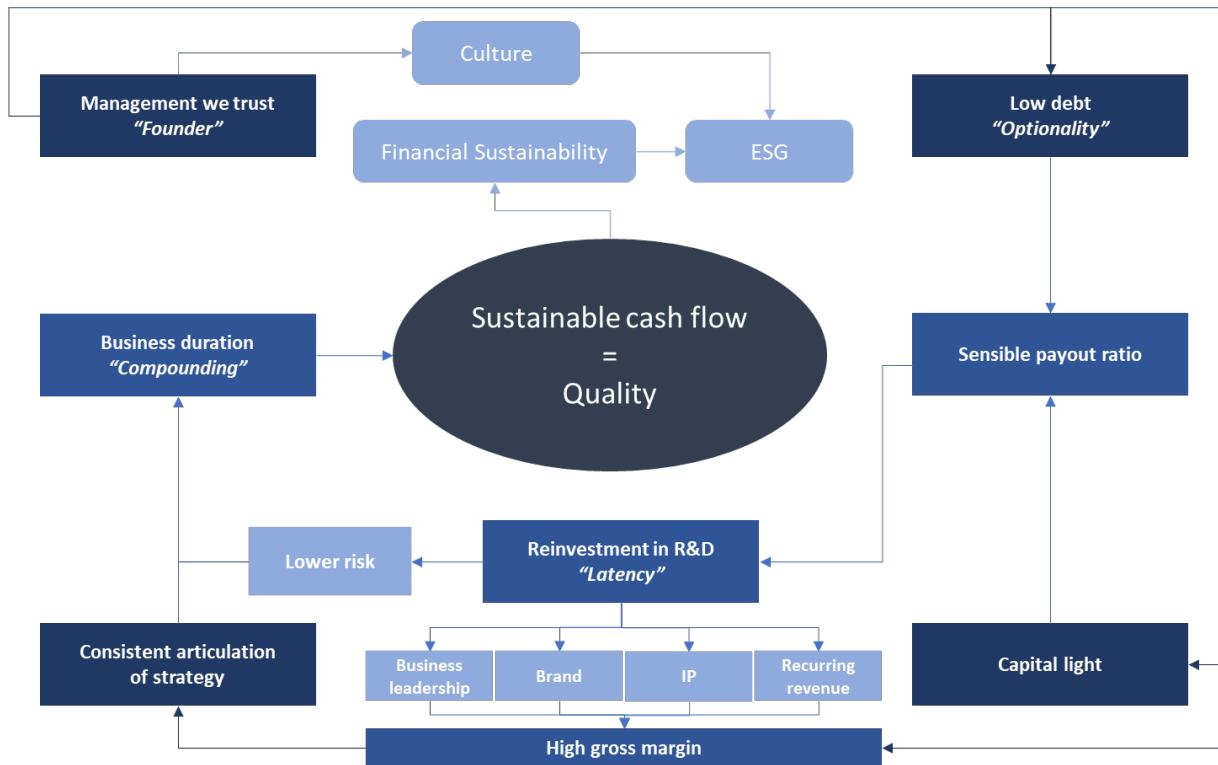
## Financial Sustainability

We endeavour to read widely. This includes publicly disclosed documents, such as annual reports, sustainability statements, company and board charters and broker research. We subscribe to various financial data and news services, multiple business publications and a global business transcript service that also collates broker research.

All research is undertaken in house by the Portfolio Managers and investment team. This is an intensive, granular and in-depth approach to continuous learning. We believe this is a differentiated approach, as it was developed in house, has evolved over twenty years and has generated both strong ESG outcomes and portfolio performance. Answers to the questions below support this statement.

To aid in house research, SFML has integrated, LSEG (Refinitiv), which provides extensive ESG coverage and data insights across ASX All Ordinaries securities. LSEG’s reported and estimated emissions data has been used to generate the detailed analysis of SFML’s portfolio emissions as seen above. LSEG also enables data to be refreshed.

### SFML’s attributes of a quality business



At the forefront of our FSSGE considerations is financial sustainability (FS). Financial Sustainability refers to cashflow sustainability and resulting capital management decisions. Industry Captains should be both good stewards of capital and leaders on Social, Governance and Environmental matters. Without FS, a business is unable to make long term commitments and the requisite investments to achieve desired outcomes across Social including staffing, Governance and Environment.

In a business that has not achieved FS or where it has faltered, other more prescient capital considerations will outweigh ESG.



ESG is considered in our initial screening process and the due diligence process conducted during our corporate engagement program. ESG is scored and has a material bearing on our investment process. It is material in that we will not invest unless cultural alignment, across board management and stakeholders, becomes apparent in the risk out steps of our process detailed below.

Our approach has been consistent since inception. It is framed by our Roadmap. This template is both qualitative and quantitative in nature, it focuses our research efforts on the aspects of ESG that we hold important in assessing the risk associated with a long-term investment. This internal scoring system is integrated into our financial model.

Our Roadmap provides a repeatable framework that drives our corporate engagement program, our quantitative program of financial modelling including our stock universe data screen, and our structured voting program. It also holds a strong relevance to our portfolio construction.

Our Roadmap has a material bearing on our investment process from screening ideas to portfolio construction. As an example, we highlight the top left-hand corner of the roadmap, “Individuals we can trust”. If we are unable to establish confidence in the board and management and the culture that they are responsible for, we will not invest in a business. We are index unaware and have the luxury of sitting on the sideline or saying no to an investment.

We believe culture, financials and ESG are intertwined, with the former driving the later. We have focused on the culture and financials that drive the social attributes and governance process within a business since inception.

In 2019 we developed our ESG Roadmap as an extension of our Roadmap. It provides an additional framework for integrating ESG into our research. It is also incorporated into our financial models. This is an iterative approach whereby we are building upon successful initiatives, discarding those that do not add value to our process. This approach also accommodates the often-changing regulatory demands and market expectations relating to ESG.

We have taken progressive steps to better understand environmental risk. We measure emissions targets and renewables use across the portfolio. We also measure portfolio emissions against index emissions. We are currently investigating the use of Science Based Target Initiative (SBTi) across the portfolio.

We have long had confidence that our process contributes to strong ESG outcomes in relation to social and governance issues. We believe our long-term outperformance and low turnover is evidence of this. It is now also apparent, from the portfolio reporting discussed above, that we are driving equally strong ESG outcomes in relation to environmental issues.

In addition, we use our templates and framework to actively seek better transparency and financial disclosure from the companies we invest in. This is addressed in our Climate Focus section of the ESG and Voting Policy.

## Training

On a firm wide basis all team members participate in in-house governance training sessions prepared and overseen by our specialist compliance consultant King Irving, in addition to material available on our in-house training platform, Sentrient.

The investment team is committed to our approach to ESG which has been developed in-house. This approach continues to evolve as we learn. The Portfolio Managers:

- Rely on continuous wide reading of publicly disclosed documents, research and related subject matter.
- Are also responsible for executing both our corporate engagement program and voting programs which results in continuous exposure to high quality corporate ESG programs.



- The Portfolio Managers have worked closely with SFML clients who represent some of Australia's largest Super Funds who have strong ESG programs. While we believe we add value here, this is also a learning opportunity.
- The Portfolio Managers have attended expert ESG discussion at conferences in the last 12 months.
- Short course work has also been undertaken.
- SFML ESG has been bolstered with the addition of a team member who is a CPA and has real world ESG experience.

SFML encourages and sponsors education across all members of our team.

Qualifications undertaken by members of the investment / operations team include:

- The Economist Education: Climate Change and Business Sustainability, Risk and the Push for Net Zero;
- The London School of Economics: Decision Making – Judgements, Biases and Nudges;
- The Economist Education: Business Writing and Storytelling; and
- Phriendly Phishing, IT and Cyber Awareness training.

## Research Capability

SFML has dedicated human resources and operating systems including our in-house ESG resource centre. These resources support our corporate engagement program and voting program.

While we have a dedicated head of ESG, we believe ESG is at the centre of our process of identifying the business cultures that we want to be associated with for the long term. ESG is the responsibility of all team members from Portfolio Managers through to Operations.

ESG is integrated into our bottom-up stock selection process. As a result, ESG is undertaken on a team wide basis. We believe our ESG approach is executed with conviction. Many investors take an index approach or "active weight" approach around an index that requires them to own businesses even when conviction is low. We believe that approach generates lower quality ESG outcomes.

SFML is true to label in its index agnostic approach. We will not invest in a business that does not meet the requirements of our roadmap. This is a cultural and fundamental assessment of a business and it drives our portfolio construction.

We believe that our best ideas represent higher quality businesses. These businesses drive strong ESG outcomes that are worthy of long-term investment. Our ESG portfolio reporting supports this statement alongside our long-term outperformance. Importantly, this differentiated approach has been developed in-house over many years of operating in a variety of business cycles.

Business and the people within them do change, and we do make errors of judgement. Where possible SFML will identify the issues at hand and make appropriate enquiries, undertake exit interviews where possible and engage directly with the Directors responsible for People and Culture and or the company Chairperson. Recent examples include James Hardie, Appen, Domino's Pizza Enterprises and Megaport.

## Integration

FSSGE is integrated into our bottom-up stock selection process and as a result, is undertaken on a team wide basis by SFML.

FSSGE issues are incorporated into:

1. Our Roadmap;
2. Our ESG Roadmap;



3. Our corporate engagement program;
4. Our voting program; and
5. Our portfolio construction framework is driven by Buyout and Roadmap outcomes.

FSSGE issues are quantified by:

1. Our Roadmap; and
2. Our ESG Roadmap.
3. During our corporate engagement program
4. In our voting documents

The portfolio impact is material in that we will not invest, and we will divest, when our Roadmap requirements are not met or break down over time.

We are index unaware rather than active around an index. This means that rather than holding an “underweight” position in a company that does not meet our requirements, we hold 0%. This impact is material. Our returns are driven from a subset of companies that we believe are delivering strong ESG outcomes.

## Scoring

Our Roadmap rating and ESG Roadmap rating is scored in our financial models.

When a material ESG issue is identified by our process, it is considered, and appropriate action is taken based on the circumstances that present. Some material events will have direct financial impacts that can be modelled. Others may be more qualitative in nature and cannot be modelled. There is no single pathway of best fit for all circumstances and a work-shy box ticking approach will add little value. A granular understanding of the culture, and financials of an individual business will yield insights into the Social Governance and Environmental risks.

To gain these insights a consistent long-term approach to both corporate engagement and financial modelling, like the ongoing painting of the Harbour Bridge, is required if value is to be added to the investment process.

Through our corporate engagement program, we can exert influence for change on a business. Undoubtedly this is stronger when we have an aggregate holding within the top 20 shareholders of a business. That said, arguably we have more influence when we have a long-term professional relationship with a public company, its management team and board.

Areas of Financial Sustainability we have long championed include, having the optionality of a strong cash balance sheet, writing off all R&D (Research & Development) in the year it is incurred and a sensible dividend pay-out ratio that allows ample reinvestment for future earnings growth. When a net cash balance sheet, sensible payout ratio is combined with fully expensing R&D, a company can embark on a long-term share buyback policy. We advocate that companies consider a 30;30;30 approach. The 30;30;30 model is the notion of applying net earnings or, more, appropriately, a company’s free cash flow equally across dividends, buybacks and additional reinvestment, including M&A tuck in. None of this is earth shattering or rocket science, it is a commonsense approach to investment and one that we apply to our own business, and which extends to our voting policy.

We are also proactive in areas such as succession planning, science based environmental targets, corporate governance reporting and access to management. We actively advocate limiting or providing access to private equity tyre kickers and non-shareholders.

## Monitoring

Issues are monitored through our corporate engagement program. When a material issue arises, we engage with management and/or appropriate board and committee members. An example has been outlined.



In 2023, SFML investment team identified, during our ongoing corporate engagement program, Social and Governance issues and a dysfunctional culture at a portfolio company which we believed was systemic. In this instance the decision was made to exit the investment in an orderly fashion.

The Portfolio Managers read widely, including public disclosure documents such as sustainability reports, company policies, company charters and annual reports including material audit matters raised by independent auditors.

We actively monitor portfolio exposure to ESG issues. As an example, Materials as a sector represents circa 20% of the S&P ASX 300 index and produces over 50% of total index carbon emissions. It is clearly the sector with the highest carbon emissions. SFML has a circa 4.5% exposure to Materials via our holding in James Hardie. This exposure is 4.4 times lower than the index. This combines with our sector exposures that are 5x and > 3x higher than index exposures to two of the three lowest carbon emitting sectors, being IT and Healthcare respectively. Our portfolio composition drives strong ESG outcomes in comparison to the S&P/ASX 300 index.

Exposures relating to the environment, sit with manufacturers such as James Hardie, ARB, Cochlear, CSL, ResMed, Fisher & Paykel Healthcare and Reliance Worldwide. A higher social responsibility requirement sits with Aristocrat Leisure and lotteries supplier Jumbo Interactive.

## Climate-related Investment Risk

We assess and monitor climate related risk through:

1. Our Roadmap;
2. Our ESG Roadmap;
3. Climate related Portfolio reporting; and
4. Carbon Emissions portfolio reporting verse S&P ASX 300 emissions

Our risk out approach helps to mitigate climate related risk. We are trying to take as much risk off the table as possible before we invest. We are seeking to avoid stranded assets and business that face structural change. Stranded assets are investments that are not able to deliver a viable economic return, and which are likely to see their economic life curtailed due to a combination of technology, regulatory and market changes.

A worst-case scenario is a stranded asset that has debt associated with it. The danger comes when a traditional utility type operation, carrying inflated asset values and accompanied by high leverage in the form of debt, realises the world has changed. As one side of the balance sheet shrinks, the implications are felt on the other in the form of higher gearing ratios and lower returns to investors.

The general insurance industry is another grappling with a host of challenges and structural change. Near zero global interest rates have driven low returns on an insurer's 'float' (representing premiums collected before payouts are made), while ongoing external shocks continue to deliver long duration risk. From our perspective it is an industry with too many unknowns, inexplicably caught in the past and unable to predict the future, while providing investors little in the way of reassurance.

This is an ongoing process. As a recent initiative we are currently investigating and discussing, with portfolio companies, the limited use of Science Based Target Initiative (SBTi) across the portfolio. The SBTi is a collaborative effort to drive ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets. These targets align with the latest climate science to meet the goals of the Paris Agreement: limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.



## Net Zero transition

We believe business needs to be proactive in reducing carbon emissions. The good news is that companies are clearly responding, as Environmental, Social and Governance (ESG) factors, climate change included, have become mainstream business considerations.

ESG progress should not be the domain of big players alone, as most businesses either start out or remain small. In the U.S., as the economy recovers, new business creation has been at its highest since records began in 2004. We see this as a positive platform for change.

SFML strongly believes small business has a significant role to play. We all need to act like leaders. As a result, SFML has endeavoured to recognise and offset our firm's carbon output since inception in 2003.

Our plan is to remain a carbon negative business going forward. This involves seeking ways to actively reduce our emissions where possible and selectively participate in the new emissions technologies required to reach the Global Paris Targets, which are recognised by the Task Force on Climate related Financial Disclosures.

As the calculation of GHG emissions requires assumptions, we have taken a conservative approach to our estimates. To ensure best practise, whilst adhering to the Greenhouse Gas Protocol standards, we engaged Australian carbon solutions provider, Carbon Neutral. SFML has estimated scope 1, 2 and 3 emissions. Note, an independent auditor has not reviewed these calculations.

Our GHG emissions output since inception was driven by six key contributors: electricity, office consumables, travel (domestic and international), food, waste, and transportation to and from work.

In total, our journey to carbon negative has resulted in 645t of CO<sub>2</sub> been offset since inception. These estimations have tried to capture all relevant scopes of emissions.

New technology, and new clean energy sources (Nuclear Fusion) is key to realising Global Paris climate targets. As a small business, we aim to be a leader in supporting solutions which we believe are best in class.

SFML is carbon negative since inception. To maintain this position, going forward we plan to offset between 110%-120% of our annual estimated CO<sub>2</sub> emissions via a mixture of initiatives that we believe in.

SFML has sponsored a unique technology-based climate initiative by Clime works. According to the SBTi standard, a credible, science-based net-zero strategy must combine both emissions reductions and the active removal of unavoidable CO<sub>2</sub> emissions. Climeworks direct air capture and storage (DAC+S) technology removes unavoidable and historic CO<sub>2</sub> from the air on behalf of its clients and investor base. <https://climeworks.com/>

## Modern Slavery

We assess and monitor modern slavery risks through:

1. Our Roadmap;
2. Our ESG Roadmap;
3. Our Corporate Engagement Program

Our Roadmap ensures ESG is under consideration on each occasion a business is assessed by the Portfolio Managers and Investment Team. The ESG Roadmap dovetails with our existing processes and ensures that supply chain and human capital management are part of the evaluation.

Our ESG Roadmap is integrated into our company models which will apply a 9-filter score card to each business. The Roadmap is developed to help assist the team visualise and discuss potential risks across the portfolio. Its purpose within the model is to help identify changes to risk profiles over time including current and emerging risks. Any incidents will be noted and form part of the ongoing review and evaluation process.



## Risk Management

We have focused on culture since inception, and we have long believed that culture, financial sustainability and ESG are intertwined. We consider them both integral to our assessment of a business. Simply put, strong FSSGE outcomes are the product of good culture.

Today, society has a better grasp of ESG. Even if our school age children do not immediately recognise the ESG acronym, they are embedding its practices into everyday life. Recycling, carpooling, bicycles, reusable shopping bags, waste free Wednesday, girls' soccer, girls surfing, gender diversity, racial equality and learning about invasion day in primary school, are some of the norms our children have come to expect as society demands action.

For strong ESG outcomes to be achieved and good culture to be maintained, businesses need to take a leadership position in ESG. The expectation of a social licence is that business is conducted in a responsible and progressive fashion across all facets of Environmental consideration, Social policy and Governance programs.

The risks to a business that ignores ESG are high. As the battle for talent in the workplace escalates, quality team members leave when Environmental, Social or Governance performance does not meet expectations. High turnover destabilises continuity, lowers productivity and adds cost. It may also impact execution as strategy is pivoted in response. Customers are the first to see these performance issues and are likely to seek more stable and progressive supply chain partners. Business transparency may reduce under these circumstances, further increasing risk.

One of the essential functions of financial markets is to price these risks. Every investment has risk attached. Essentially when we invest, we target a return that compensates for the equity risk we take. This premise only holds if we understand the risks at hand. As discussed above, we aim to take as much risk off the table as possible before we invest. Our focus on balance sheet strength and sustainability of earnings is testament to this.

The financial crisis of 2007-2008 is an important reminder of the repercussions that weak corporate governance and risk management practices can have on asset values. Without the right information, long-term investors may incorrectly price or value assets, leading to a misallocation of capital.

A significant, and perhaps one of the most misunderstood risks that organisations face today relates to climate change. While certain insurance and physical assets may become uninvestable or even stranded, studies have shown that much of the impact on future assets will come through weaker growth and lower asset returns across the board.

In 2021, SFML became a supporting party to the Task Force on Climate Related Financial Disclosure (TCFD) and its principles, in pursuit of greater transparency on these important issues. Transparency has been a key consideration of our Roadmap since inception. In simple terms, we seek ongoing transparency and will not invest without it. This ties in with our common-sense approach to taking as much risk off the table as possible before investing. Becoming a supporter of the TCFD was a natural progression in our journey of ongoing improvement.

As we have described, we believe voting is the other half of FSSGE. It is where our investors have a collective voice at the board table. We take this responsibility seriously and devote considerable resources to its execution. We do not think this responsibility should be outsourced.

In a high turnover strategy voting has less meaning. When holding periods are short, one need not worry about the long term. We are low turnover, long term investors attempting to capture as much real EPS growth as possible over time. So, voting counts.

As a result, all resolutions are documented, researched, and voted in-house. We endeavour to understand the position proxy advisors take. When their view differs from ours, we follow through with additional engagements as required.



## Mandate Exclusions

The mandate exclusions or negative screen, which have been adopted across all our portfolios, include:

- Business generating >10% revenue from thermal coal;
- Business that manufactures or sell munitions or weapons; and
- Tobacco related businesses.

We are transparent in acknowledging our investments in the gaming sector. We have high expectations of these companies in relation to “S”, social responsibility. We expect these companies to play a leadership role, global where possible, in responsible gaming initiatives including addressing problem gambling. We will divest when this hurdle is not met.

## SFML FSSGE Evolution

It has been a process that has evolved since inception. We take initial steps, and as we develop our work and understanding we expand on our activities. Not everything we undertake works. When faced with this situation we modify our activities. This can be seen in the brief timeline we have provided. Our first ESG matrix conceived internally in 2016 is illustrative of modifications that have been undertaken. By way of contrast our original Roadmap developed in 2003 remains our true north compass today.

We believe FSSGE is at the centre of our process of identifying the business cultures that we want to be associated with for the long term. As a result, FSSGE is the responsibility of all team members from Portfolio Managers down.

We believe our approach is executed with conviction. Many investors take an index approach or “active weight” approach around an index that requires them to own businesses even when conviction is low. We believe that approach generates lower quality ESG outcomes.

SFML is true to label in its index agnostic approach. We will not invest in a business that does not meet the requirements of our Roadmap. Our Roadmap is a cultural and fundamental assessment of a business and it drives our portfolio construction.

We believe that our best stock picks represent higher quality businesses. It is these businesses that generate strong FSSGE outcomes that are worthy of long-term investment. Our ESG portfolio reporting supports this statement alongside as does our long-term outperformance.

Importantly, this is a differentiated approach. It has been developed in-house over many years of operating in a variety of business cycles.

## Industry Involvement

- SFML is a former UNPRI signatory; and
- SFML was a TCFD supporter.

We believe our commitment to our corporate engagement and voting programs are the strongest actions we can take. This has been addressed above.

We actively engage board members in discussions across Environmental Social and Governance issues. Here we are seeking to open the discussion to achieve a higher level of transparency.

## Emerging Risks

Priority areas for SFML are identified by our Roadmap and ESG roadmap, descriptions are provided below in the appendix.

We highlight areas of emerging risk:



1. Application of EU legislation requiring Scope 3 reporting on subsidiaries above threshold
2. SBTi reporting across portfolio
3. Supply Chain / Modern Slavery
4. Cybersecurity
5. Privacy

While the above areas continue to be topical priority areas we add the following

6. Long term Business Sustainability including any structural change
7. Geopolitical risk

We seek to minimise the impact of these issues in the portfolio that we manage through a combination of in-house research and our corporate engagement program that drives our risk out, bottom-up stock selection process.

A third area of risk is supply chain transparency. Many companies submitted Modern Slavery documents, for the first time in 2021. This is a new area of risk management, under new legislation in this country, that has the potential to have a complexity that will present new challenges.

In 2025, we have continued to use this information to gain additional insight into supply chain. We believe companies are prioritising risk above supply chain efficiency. This will see increased onshoring of supply over time or alternative regions of supply to aid existing supply chain. This requires CAPEX and has a margin impact in a business.

Technology is clearly at risk of cybersecurity threat and privacy breach. We are aware of the significance of these risks and address them through our corporate engagement policy. Best practice is ongoing staff training, combined with external penetration and phishing testing.

An additional emerging risk is the European Union introduction of mandatory Human Rights Due Diligence that covers broad ranging human rights issues requiring identification of these risks within business.

SFML believes it is essential to consider the impact of material FSSGE risks on the long-term performance of our investments.

SFML's aim is to:

1. Understand, measure where possible, and monitor FSSGE risk in the context of our equity investments.
2. Make full use of our rights of ownership, on behalf of our investors, by voting on all relevant resolutions. We need to be able to justify our votes. This relies upon our corporate engagement program and our quantitative research program.
3. Drive common sense changes in business practice and financial management that benefit all long-term shareholders and stakeholders.
4. Continue along the pathway of learning across a diverse range of FSSGE related topics.

Independent research, and our own experience as long-term investors, indicate that positive ESG outcomes drive better financial performance.

We acknowledge significant challenges exist in our ability to add value across an agenda as broad as ESG. Therefore, our approach to needs to continue to evolve and we need to embrace continuous learning as individuals and as an organisation. We must fight our own bias in this process and while we continue to focus on bottom-up stock selection we also need to be mindful of the bigger picture.

*"Unintended consequences.... [can occur if] we fixate on one small part of a complex system, and in so doing come up with solutions to the wrong problem. ESG measures can perpetuate this behaviour, especially when the measures and investor rewards remain tied to individual firms. At an individual level, for example, BP can take*



*credit for reducing its emissions by selling its petrochemicals business. But that business and its emissions, of course, have not gone away.”<sup>2</sup>*

From The responsible company<sup>3</sup> we learnt that sustainability *“is a legitimate term that calls on us not to take more from nature than we give back...We have no business applying the word sustainable to business activity until we learn how to feed, clothe, and enjoy ourselves – and fuel the effort – without interfering with nature’s capacity to regenerate”*. Obviously with this context, we cannot make that claim.

Chouinard & Stanley outline some of the key issues that responsible companies will face over the next 50 years, in relation to Shareholders, Employees, Customers, Communities and Environment (Nature). They are interesting discussion points as we frame our view of the future.

#### Shareholders:

Accounting will become more complex. As ESG becomes mainstream companies will have to financially account for their impact on the environment. If not, they risk a shareholder revolt following a sudden rise in the price of carbon or drop in availability of fresh water. The United Nations has weighed in with the adoption in 2012 of an agreed method to account for the ecosystem value of natural resources like minerals, timber, and fisheries.

#### Employees:

There has been a fifty-year trend towards automation (technology), moving jobs offshore, improving wages in developing countries and a flattening of wages in advanced countries. The next fifty years will be marked by pressure to restore the living wage. It was assumed as late as the 1960’s that the annual pay of one wage earner (usually male) should support his family. The new more modest goal has a worker paid one half of what it takes to support a family of four. To meet this goal will require further increases in productivity, most of which will come from automation (technology), which further depresses employment rates. More workers will be better paid, yet more people will be out of work.

#### Customers:

As things become more expensive, customers will become choosier and buy less. They will increasingly demand to know whether products qualify as healthy and humane. Any gaps will be easily exposed on social media.

#### Communities:

Responsible business will be required to accept its supply chain as part of its own, in relation to improved working conditions and environmental harm. Third party verification will become more important, and more companies will benchmark against social and environmental standards while working to raise the bar.

#### Environment:

As customers and clients learn more about the consequences of taking from the natural world at our current pace, they will pressure companies to do more, more quickly. Expenses will rise for natural resources (especially energy and water) and for waste disposal. Financial pressures will mount for those with weaker cashflows and balance sheets. To compete, a company will have to at least be as responsible as its competitors.

Fifty years out, it will be the leaders in these five categories of shareholder, employee, customer, community, and environmental engagement, that will prevail. These areas align closely with our own views on the importance that culture and its relationship with FSSGE will have on any given business.

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<sup>2</sup> Harvard Business Review: <https://hbr.org/2021/01/esg-impact-is-hard-to-measure-but-its-not-impossible?autocomplete=true>

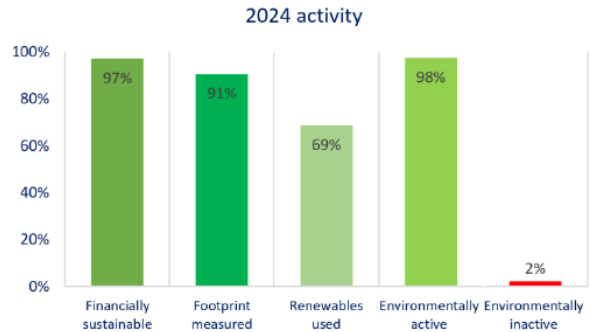
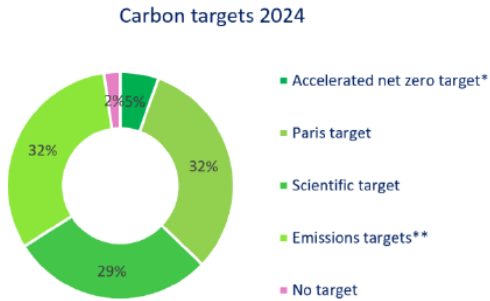
<sup>3</sup> The responsible company, Chouinard & Stanley (2016) Published by Patagonia Works.



We believe that FSSGE will increasingly be accepted as mainstream investing. We have confidence that our investment process, which promotes continuous learning via our work programs across corporate engagement, quantitative research and our structured approach to voting will add value in this space.

The journey at SFML started with extremely humble foundations, and today we hold on to these roots. It is just as well, because the reality is that investing itself can be a very humbling experience. We have long accepted the challenge of becoming better investors. To achieve this, we will continue to invest in human capital and our business, and we will maintain a cash balance sheet that supports this reinvestment.

# Portfolio Climate Reporting



**What we are seeking**

- Paris targets
- Science based targets
- Emissions targets
- Renewable energy targets

**What we are monitoring**

- Financial sustainability
- No efforts
- No accountability

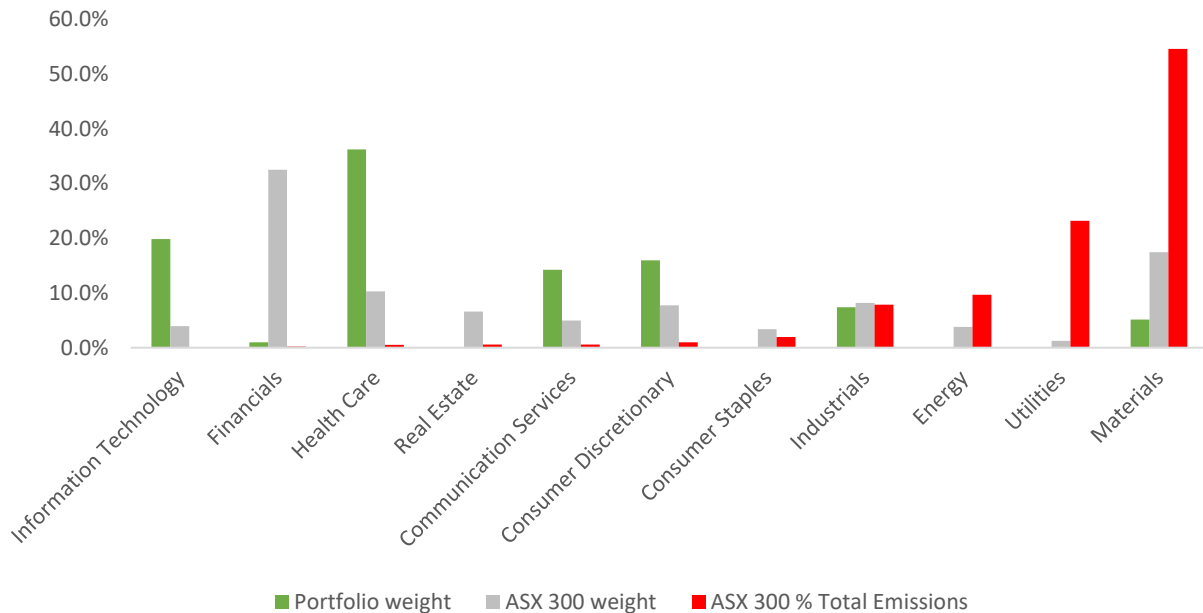
\*Net zero across all scopes by 2030

\*\*Has at least measured emissions or energy use or set a target

Source: SFML Research

## Portfolio sector emissions reporting vs S&P/ASX 300

Portfolio vs ASX 300 Carbon Exposure 30 June 2024



Source: SFML & LSEG



## SFML Portfolio carbon intensity

Carbon intensity method <sup>1</sup>	SFML <sup>2</sup>	ASX 300 <sup>2</sup>
Carbon to value invested	3.45	25.16
Carbon to revenue	16.77	102.66
Weighted Average Carbon Intensity (WACI)	10.02	92.08

Source: SFML & LSEG

<sup>1</sup>Last reported financial year revenue as at 30 June 2025

<sup>2</sup>Scope 1 and 2 emissions (estimated if not reported).

- **Carbon to value invested** – this calculation is the aggregation of estimated owned constituent greenhouse gas emissions<sup>2</sup> per \$1m market capitalisation as at 30 June 2025. It allocates the emissions investors are responsible for based on their level of ownership, enabling them to measure their contribution to climate change.
- **Carbon to revenue** – this calculation reflects the aggregation of estimated owned constituent greenhouse gas emissions<sup>2</sup> per \$1m generated in apportioned revenues. It allocates the emissions investors are responsible for based on their ownership of company revenues.
- **Weighted Average Carbon Intensity (WACI)** is the weighted average of individual company's estimated carbon intensities (emissions over revenues), weighted by the investment proportion of the constituents.



## SFML FSSGE Timeline Since Inception

2003	Roadmap established a clear focus on business culture and fundamentals. It is designed as a qualitative and quantitative study that can be used to measure these qualities over the entire lifecycle of a business.
2003	Corporate engagement program was established as the cornerstone of our investment process. This is where we learn about the people, the culture and the resulting business leadership qualities, balance sheet management and capital management practices.
2008	Roadmap and buyout integrated into portfolio construction.
2010	2013 UNPRI Signature.
2011	SFML partnership with Axius, adding senior resourcing across the business.
2012	Roadmap integrated into financial model.
2013	Voting program initiated.
2014	ESG Policy forerunner to ESG and Voting Policy.
2016	ESG Matrix introduced, a forerunner to ESG Roadmap 1.0
2019	ESG Roadmap 1.0 introduced.
2019	SFML Carbon neutral via certified program (Certified on 30 June 2020).
2020	SFML Carbon neutral via certified program (Certified on 3 May 2021).
2021	ESG Roadmap 2.0.
2021	SFML becomes TCFD supporter.
2021	Climate related Portfolio reporting.
2021	Carbon Emissions portfolio reporting verse S&P ASX 300 emissions.
2021	SFML Carbon negative since inception via certified program (Certified 3 May 2021).
2021	SFML sponsors Climeworks annual offset program, committed to offsetting 1.1 tonnes of Carbon Dioxide each year ( <a href="https://climeworks.com/">https://climeworks.com/</a> ).
2022	Integrated LSEG (Refinitiv), which provides extensive ESG coverage and data insights across ASX All Ordinaries securities.
2022	SFML 2022 Carbon Commitment, to test the SFML Portfolio EPS against a notional carbon tax levied at A\$80, A\$90 and A\$100.
2022	SFML re-establish corporate engagement program of domestic, interstate, international company visitations. In 2022 international engagements undertaken in the USA including Chicago and Florida, Seoul South Korea, Auckland New Zealand, Tokyo, and Nagoya Japan.
2023	SFML Sustainability Report published.
2023	SFML introduced “Green the Team” initiative to offset SFML staff household emissions
2024	Transition to ACCU and LGC for SFML Carbon Neutral program
2024	SFML added two senior members in our operations team, which has enhanced our compliance resourcing and ESG programs, including real world experience in ESG.
2024	SFML are currently investigating and discussing, with portfolio companies, the limited use of Science Based Target Initiative (SBTi) across the portfolio.
2025	Separation of Voting Policy



## References

Carbon Neutral: <https://carbonneutral.com.au/yarra-yarra-biodiversity-corridor/>

TCFD (Taskforce on Climate Related Financial Disclosures): <https://www.fsb-tcf.org/>

Gold Standard: <https://www.goldstandard.org/impact-quantification/certified-sdg-impacts>

Harvard Business Review:

- <https://hbr.org/2021/01/esg-impact-is-hard-to-measure-but-its-not-impossible>
- <https://hbr.org/2021/01/compensation-packages-that-actually-drive-performance>

The Responsible Company, Chouinard & Stanley (2016) Published by Patagonia Works.

## Policy Version History

Version	Date	Amendment/Review Description	Updated By	Approved By
1.0	05/2021	Policy Review and Update	Kari Humphrey	Corey Vincent
2.0	26/07/2022	Policy Review and Update	Kari Humphrey	Corey Vincent
3.0	31/08/2023	Policy Review and Update	James Aghajanian	Corey Vincent
4.0	25/07/2024	Policy Review and Update	Sylvia Wiggins, Kari Humphrey, Carolyn Kiffin, Harry Mentis Bullock	Corey Vincent
5.0	29/09-2025-12/02/2025	Policy Review and Update	Kari Humphrey & Corey Vincent	Corey Vincent