

# Stewardship Policy

**Approved by the Governance Committee**

1 September 2025

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## Background

This Policy sets out Bell Asset Management Limited's ("BAM", "we", "us") approach to responsible investing, stewardship and proxy voting. It is a firm wide policy and relates to all portfolios where BAM acts as investment manager.

## Introduction

BAM believes that a company's management of Environmental, Social and Governance (ESG) risks and opportunities can impact the valuation and long-term sustainability of an investment. We therefore employ a disciplined investment framework, in which material ESG risks are assessed, combined with negative screening, active engagement and proxy voting. We believe integrating ESG is in the best interests of our clients and reflects our goal of delivering long-term capital appreciation, in excess of the benchmark.

## Principles for Responsible Investment (PRI)

BAM has been a signatory to the United Nations-supported Principles for Responsible Investment Initiative since 2014 and completes the PRI assessment as required to comply with our obligations as a signatory. The latest PRI Transparency and Assessment Reports are available on our website.

## Client Instructions

BAM accommodates client specific instructions in respect of ESG, such as client specific exclusions or proxy voting direction.

## Integration within the Investment Process

### Investment Process

ESG principles are embedded in the investment management process. The BAM investment process is highly structured and repeatable. It has a number of specific phases which every stock must pass to be considered for investment.

|         |                        |
|---------|------------------------|
| Phase 1 | Establish Universe     |
| Phase 2 | Idea Generation        |
| Phase 3 | Quality Test           |
| Phase 4 | Valuation              |
| Phase 5 | Portfolio Construction |

Negative screening is incorporated in Phase 1, where certain companies are excluded from the investment universe.

Research, financial analysis and engagement are incorporated into Phases 2-4, where a materiality assessment of ESG issues (ESG Materiality Assessment) is undertaken by the investment team.

The ESG topics that are material to each investment will vary and are documented in our research management system.

In portfolio construction, Phase 5, we use ESG specific portfolio analytical tools from an external provider to monitor the ESG score and carbon intensity of each portfolio.

Additional details on the ESG inputs of our investment process below.

## ESG Screens

Through negative screening, we aim to avoid or minimise exposure to sectors and companies that are, in our view, more susceptible to material risks - for example, regulatory risk in the tobacco industry.

BAM has established ESG screens (the "BAM ESG Exclusion Criteria"), that are applied on a firm-wide basis to exclude securities with exposure to: tobacco, controversial weapons, international norms (such as failure of UN Global Compact or sanction listed). Other exclusions seek to limit exposure based on certain revenue thresholds, in areas such as, conventional weapons, nuclear weapons, small arms (civilian firearms), adult entertainment, coal, gambling and unconventional oil and gas. See "BAM ESG Exclusion Criteria" in Appendix 1 for complete definitions of each category.

The BAM ESG Exclusion Criteria is determined from a range of sources including, but not limited:

- Third party ESG research
- GICS and other industry standard categorisations; and
- Internal research undertaken by the BAM investment team.

The BAM Excluded Stock List is the outcome of the application of the BAM ESG Exclusion Criteria, this is rerun on a half yearly basis. The BAM ESG Exclusion Criteria is reviewed on an at least annual basis, by the investment team in conjunction with compliance. Any changes are subject to approval by the CIO prior to implementation and are notified to the Governance Committee. The updated BAM Excluded Stock List is uploaded to the order management system's compliance module to prevent the purchase of excluded stocks.

In the event a security held in the portfolio is added to the BAM Excluded Stock List, the Portfolio Managers will be required to exit the holding within 30 days.

## Climate Change

BAM supports the goals of the 2015 Paris Agreement, which aims to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit it to 1.5°C above pre-industrial levels. We are also supportive of the TCFD framework and will advocate to our investee and potential investee companies to adopt the framework.

As part of the investment process, the investment team analyses each security's exposure to climate change risks and opportunities through the lens of transition risks, as the global economy transitions towards a low and ultimately net-zero carbon economy, as well as the physical risks that companies could face from climate change. This analysis is captured in our internal research system. On a monthly basis, we review the weighted average Carbon Dioxide or equivalent (CO<sub>2</sub>e) emissions and CO<sub>2</sub>e intensity (measured in tons of CO<sub>2</sub>e per million of USD revenues generated) of our strategies vs their respective benchmarks.

On an annual basis, the investment team reports the quantitative climate change scenario for all strategies. This is reported in the MSCI Climate Risk Report which includes information on implied temperature rise, carbon footprint analysis, climate scenario analysis and climate value at-risk.

Portfolio managers are accountable for the monitoring of their strategies' carbon emissions and carbon intensity.

## Modern Slavery

Modern Slavery risk is incorporated into the bottom-up assessment of all portfolio companies, as well as through company engagement and proxy voting. As part of our ESG Materiality Assessment we assess factors including supply chain labour standards, raw material sourcing and employee safety and wellbeing.

## Sustainable Development Goals<sup>1</sup>

BAM supports the United Nations Sustainable Development Goals (SDGs) and aligns itself to various SDGs that are most representative of our investment philosophy. Our stewardship and research efforts take into account both positive and negative effects and are focused on ensuring that our investments are aligned with our investment philosophy in that they: generate sustainable profits over the long-term, have a lean environmental footprint, provide empowerment and equality both within their workforce, supply chain and within the community in which they operate in and are committed to making a meaningful contribution to society's well-being. Overall, we believe that this alignment supports the delivery of more sustainable business practices within our portfolio companies, which in turn helps generate stronger long-term financial outcomes for our clients.

We have chosen to support and promote the following seven SDGs.

### Environment

SDG 7 – Affordable and Clean Energy  
SDG 12 – Responsible Consumption and Production  
SDG 13 – Climate Action

### Social

SDG 3 – Good Health and Well-Being  
SDG 8 – Decent Work and Economic Growth

### Governance

SDG 5 – Gender Equality  
SDG 10 – Reduced Inequalities

These priority goals are promoted through engagement with investee companies, collaboration with other investors, active investment/divestment decisions, and active ownership incorporating proxy voting.

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1. Additional information can be found on the Sustainable Development Goals Website <https://sdgs.un.org/goals>

BAM monitors alignment by mapping client portfolio investments to all 17 SDGs. More information regarding the KPI's we utilise to measure and track the above SDGs in our Annual ESG Engagement Report which is available on our website ([bellasset.com.au](http://bellasset.com.au)).

## ESG Outcomes

The outcome of our ESG integrated investment process is that we consistently maintain:

1. A superior overall ESG score, as measured by MSCI, which exceeds that of the relevant benchmark.
2. A low carbon footprint, which we define as having a weighted average carbon intensity (WACI), as measured by MSCI, that is at least 25% below the relevant benchmark.

The investment team monitors these outcomes monthly across the strategies and reports them to the Governance Committee annually.

## Stewardship and Engagement

BAM believes continuous engagement (both direct and through collaboration) and escalation can influence positive ESG disclosure and change. We engage with portfolio companies directly to seek and obtain sufficient ESG disclosure to support the investment decision making process. This could include engaging with independent researchers, our proxy adviser and/or seeking out collaborative opportunities to engage, such as via PRI forums and functions. BAM will participate in at least one PRI Sponsored Collaborative Engagement Program per year.

We report annually on the progress and outcomes of our collaborative engagements to the Governance Committee, who oversees these engagements. We publish an annual ESG Engagement Report that is available publicly on our website.

## Engagement with Policymakers

We ensure that our contribution to the development of public and industry policy is aligned with our commitment to the six key Principles of the PRI. BAM implements our policy influence through several approaches. Examples of types of approaches include:

- Engagement with industry bodies in the development and setting of industry standards and templates, participating in industry research.
- Engagement with government consultation processes, either directly or through collaborative industry initiatives.
- Co-signing investor statements.

## Escalation Strategies

At times, initial stewardship approaches with companies in BAM's investible universe may be deemed unsatisfactory by the BAM investment team. When this occurs, BAM has several escalation strategies to encourage the companies to achieve an acceptable outcome. Examples of such escalation strategies are as follows:

- Engage with other members of management or specialists within the company being researched
- Collaboratively engaging the entity with other investors
- Filing, co-filing or submitting a shareholder resolution or proposal
- Voting against the re-election of one or more board directors
- Voting against the Chair of the Board
- Voting against the annual financial report
- Divesting or implementing an exit strategy

All escalation engagements are documented and published in our internal investment research database. Examples are also included in our Annual ESG Engagement Report, available on our website.

## Proxy Voting Policy

BAM's Proxy Voting Policy is designed to act in the best interests of our clients. We regard the exercise of voting rights as an essential stewardship tool. Although we tend not to become involved in day-to-day management issues, we recognise that the exercise of voting rights can be used to influence company policy on matters of corporate governance and enhance investment value.

BAM's aim is to vote on all proxies where it has the authority to do so and where the exercise of voting rights does not block the resultant holding from being sold.

As this is a specialised and complex area of investment, we have appointed an independent external proxy voting adviser who conducts research on proposed resolutions and corporate governance issues. The terms of the advisory appointment include the provision of research and recommendations for all resolutions where we are entitled to vote. Our external proxy voting adviser provides recommendations for each proposal based on our custom ESG voting policy framework, which is available upon request.

We retain the authority to deviate from the recommendations of our external proxy voting adviser. We are also able to accommodate client directed proxy voting for separately managed account ("SMA") clients.

## Proxy Voting Reporting

We review proxy voting outcomes to assess whether there was meaningful investor alignment on key issues and to determine if further engagement with the company is warranted, helping inform and refine our ongoing stewardship priorities and escalation approach. Information on votes cast is reported annually to the Governance Committee. The 12-month rolling proxy voting report is publicly available on our website. Proxy voting reports are available to SMA clients upon request.

## Responsibility and Reporting

The Investment Team ESG Manager will update the Governance Committee at least once a year on adherence to the Proxy Voting and Stewardship Policies. The Governance Committee is a Board subcommittee, and its minutes are provided to the Board.

The CIO has overall responsibility for the investment management function which includes ESG research, implementation, prioritisation and monitoring.

Portfolio Managers are accountable for the implementation of this policy over their portfolios, as well as compliance with ESG restrictions.

The Investment Team ESG Manager is responsible for the function of Proxy Voting and the publication of proxy voting records. They also conduct formal monitoring of the independent proxy voting adviser as a Key Service Provider.

The following reports/documentation are made available on [www.bellasset.com.au](http://www.bellasset.com.au).

- Annual ESG Engagement Report
- 12 month rolling Proxy Report
- BAM ESG Exclusion Criteria
- BAM Excluded Stock List
- MSCI Climate Risk Report for the Bell Funds
- ESG metrics (included in the Bell Fund Monthly Reports)
- Stewardship Policy
- PRI Transparency Report
- PRI Assessment Report

## Training

ESG relevant training is mandatory for all staff including portfolio managers and investment analysts. The ESG training requirements are set and monitored by BAM's external HR Consultant, as part of overall annual training requirements.

# Policy Version History

The BAM Stewardship Policy was originally issued on 11 October 2011 as the BAM ESG Investment Policy. The Policy Version history below reflect the date of revisions of the Policy since 11 October 2011.

| Version | Issue Date       |
|---------|------------------|
| 1       | 11 October 2011  |
| 2       | 5 March 2014     |
| 3       | 27 November 2015 |
| 4       | 15 March 2018    |
| 5       | 24 April 2019    |
| 6       | 6 May 2021       |
| 7       | 1 November 2021  |
| 8       | 18 November 2022 |
| 9       | 31 October 2023  |
| 10      | 22 April 2024    |
| 11      | 31 October 2024  |
| 12      | 1 September 2025 |

## Appendix 1 – BAM ESG Exclusion Criteria as at 1 September 2025

| ESG Category Title                                  | ESG Screens / Exclusions – Detailed description                                                                                                                                                                                                                                                     | Technical Exclusion and Thresholds Rule                                                                                                                                                                                                                                |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Tobacco</b>                                      | Exclude all tobacco, nicotine alternatives and tobacco-based producers. Secondary exposure (distribution, licensing, retailing or supplying / packaging) limited to a 15% revenue* threshold                                                                                                        | Exclude GICS classification code “Tobacco” (GICS sub-industry code: 30203010) and MSCI ESG {TOB_PRODUCER cannot be T}, {TOB_PROD_ECIG cannot be T}, MSCI ESG {TOB_RET_MAX_REV_PCT < 15}, MSCI ESG {TOB_SUPP_MAX_REV_PCT < 15}, and MSCI ESG {TOB_LIC_MAX_REV_PCT < 15} |
| <b>Controversial Weapons</b>                        | Exclude all companies with ties to controversial weapons. Definition of controversial weapons = Companies that have any ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments. | MSCI ESG {CWEAP_TIE cannot be T}                                                                                                                                                                                                                                       |
| <b>Conventional Weapons</b>                         | Limit exposure to conventional weapons to 20% revenue* threshold                                                                                                                                                                                                                                    | MSCI ESG {WEAP_MAX_REV_PCT < 20}                                                                                                                                                                                                                                       |
| <b>Nuclear Weapons</b>                              | Limit exposure to nuclear weapons to a 3% revenue* threshold.                                                                                                                                                                                                                                       | MSCI ESG {WEAP_NUC_MAX_REV_PCT < 3}                                                                                                                                                                                                                                    |
| <b>Small Arms – Civilian Firearms</b>               | Limit exposure to small arms or civilian firearms (and ammunition) production and retailing to 10% revenue* threshold                                                                                                                                                                               | MSCI ESG {FIREARM_MAX_REV_PCT < 10}                                                                                                                                                                                                                                    |
| <b>Adult Entertainment</b>                          | Exclude all adult entertainment producers. Secondary exposure (distribution or retailing) limited to 5% revenue* threshold                                                                                                                                                                          | MSCI ESG {AE_PRODUCER cannot be T} and MSCI ESG {AE_MAX_REV_PCT < 5}                                                                                                                                                                                                   |
| <b>International Norms</b>                          | Exclude all companies that fail UN Global Compact compliance and exclude companies listed of various monitored sanction lists **                                                                                                                                                                    | MSCI ESG {UNGC_COMPLIANCE cannot be FAIL} and exclude if listed on sanction lists                                                                                                                                                                                      |
| <b>Coal – Mining, Generation and Transportation</b> | Exclude all coal companies (as a primary business) as per GICS sub-industry. Also, a 10% revenue* threshold on any other exposure to coal via mining, power generation (utilities) or transportation (excludes met coal).                                                                           | Exclude GICS classification code “Coal & Consumable Fuels” (GICS sub-industry code: 10102050) and MSCI ESG {THERMAL_COAL_MAX_REV_PCT < 10} and MSCI ESG {GENERAT_THERMAL_COAL_PCT < 10} and 10% max revenue threshold to coal transportation                           |
| <b>Gambling</b>                                     | Limit exposure to gambling operators to 10% revenue* threshold                                                                                                                                                                                                                                      | MSCI ESG {GAM_OPER_MAX_REV_PCT < 10}                                                                                                                                                                                                                                   |
| <b>Unconventional Oil and Gas extraction</b>        | Limit exposure to unconventional oil and gas extraction to 5% revenue* threshold. Definition = oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane as well as Arctic onshore/offshore.                                                              | MSCI ESG {FEBELFIN_UNCONV_OIL_GAS_MAX_REV_PCT < 5}                                                                                                                                                                                                                     |

Screening criteria definitions use MSCI ESG Research as well as Bloomberg.

\* Revenue thresholds are calculated using publicly disclosed revenue from the company prior year financial statements, as supplied by our external service provider.

\*\* Sanction lists screened as at the date of this policy include major US, EU, Asian and Australian sanction lists