



## Introduction

NovaPort prioritise understanding the sustainability of companies and their enterprises. This is an essential part of any investment assessment. ESG issues are fundamentally associated with sustainability and can have a meaningful impact on financial performance. We have a longstanding commitment to integrate ESG evaluation and analysis within our investment process. We believe companies which conscientiously manage ESG exposures are better placed to ensure their enduring prosperity, and therefore meet our investment objectives.

NovaPort formally incorporates ESG analysis at the heart of its investment process. We undertake structured and detailed analysis to assess the valuation upside and risk profile for every company in which we invest. As a part of this process we evaluate the ESG issues faced by each company. This analysis feeds into the valuation and risk scores which we use to make investment decisions.

NovaPort also recognise the importance of engagement as part of our overall ESG strategy. We seek to engage with companies to seek greater disclosure or raise ESG issues to understand whether they are being appropriately managed.

## Purpose

The purpose of the Engagement Policy is to set out NovaPort's approach and general framework to engagement activities with the investee companies and key stakeholders.

This Policy will outline:

- NovaPort's commitment to engagement
- Effective Stewardship
- Key issues on which NovaPort engages with investee companies
- How NovaPort engages with investee companies
- NovaPort's policy on voting
- Conflicts of Interest
- Reporting

## Commitment to Engagement

As part of our commitment to active ownership, NovaPort is a signatory to the Principles for Responsible Investment (PRI).

The PRI is the overarching framework of our ESG philosophy and as such, we commit to the following:

- We will incorporate ESG issues into our investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues from entities in which we invest.
- We will promote acceptance and implementation of the PRI within the investment industry.
- We will work to enhance our effectiveness in implementing the PRI.
- We will report on our activities and progress towards implementing the PRI.

Our commitment to the PRI Principle to seek to be active owners, is demonstrated through our engagement activities across our portfolio of investee companies. Engagement activities are generally carried out by NovaPort Portfolio Managers and Analysts.

NovaPort have a number of engagement goals including to:

- Promote transparency and reporting of information which can facilitate the evaluation of ESG risk management and performance.
- Ensure sound governance to provide for equitable treatment of stakeholders.
- Foster an ethical and responsible organisational culture capable of managing change and diversity.

## Effective Stewardship

NovaPort recognise that Investment Managers play a key role in fulfilling stewardship obligations to ensure responsible management and robust corporate governance practices through engagement activities.

Shareholder Stewardship is an assessment of whether a company’s Senior Management and Board have, or are likely to act, in the best interests of shareholders. This includes an analysis of historical decision making, management and board effectiveness, remuneration structures, corporate governance, culture and financial controls.

Challenger Financial Group Limited, NovaPort’s minority equity partner, is a member of the Financial Services Council which introduced its Internal Governance and Asset Stewardship code in January 2018. The code is a disclosure based standard requiring members to articulate and promote their approach to internal governance and asset stewardship. Whilst NovaPort is not required to adopt this code, we recognise the requirements of the code as being well aligned with our own values.

Specifically, the code advocates the disclosure by asset managers of their approach to:

- 1 monitoring of company performance on financial and non-financial matters;
- 2 engagement with company management and the board (as appropriate) and escalation of issues in instances where initial engagements have not been adequately responded to;
- 3 considering Environmental, Social and Governance factors (risks and opportunities) and whether these considerations influence investment decision-making and company engagement;
- 4 proxy voting;
- 5 collaborative engagement with other investors including involvement with industry groups and associations;
- 6 principles used for policy advocacy including participation with industry groups and associations; and
- 7 the approach to client engagement, education and communication regarding asset stewardship.

## Key issues on which NovaPort engages with investee companies

NovaPort’s focus is incorporation of material ESG factors into the fundamental analysis of each company it considers investing in. For each investment NovaPort determines materiality by considering the major ESG exposures for its industry as well as those specific to the company itself. A material ESG risk or opportunity is one which can have a significant impact on the valuation of a company, if not well managed. Not all ESG factors will be relevant to all engagements.

There are key ESG factors on which we engage investee companies, many of which are outlined below.

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• impact of climate change including physical and transition risks</li> <li>• carbon exposure</li> <li>• resource efficiency, including water use and management</li> <li>• sustainability of supply chain</li> <li>• pollution and waste management</li> <li>• impact on communities</li> </ul>	<ul style="list-style-type: none"> <li>• Modern Slavery</li> <li>• Workplace health and safety</li> <li>• Supply chain management</li> <li>• Product quality</li> <li>• Customer and employee satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Effective board and governance structures</li> <li>• Experience of Directors</li> <li>• Disclosure Management</li> <li>• Conflicts of Interest</li> <li>• Effective audit and nomination committees</li> <li>• Remuneration policies</li> <li>• Ethical and constructive corporate culture</li> <li>• Regulatory compliance</li> </ul>

## How NovaPort engages with investee companies

NovaPort Capital regularly engages with all the companies in which we have invested. These engagements give us insight into a company's strategy and how it relates to its opportunities and challenges.

Our priorities vary depending on the individual circumstances of each company, however they inherently include ESG issues. We will engage to improve our understanding, encourage greater disclosure and address governance. We use the insights from these engagements to inform our investment evaluation and portfolio decision making.

Our engagements include interactions with senior management as well as board members and are targeted at the parties most responsible for the issues being addressed. Our engagements might also include collaboration with other parties.

Engagements are recorded via a spreadsheet and outcomes are updated and reviewed on an annual basis.

## Proxy Voting

As an investment manager, NovaPort takes its ownership responsibilities seriously as it believes the right to vote as proxy is an important asset. Where an investment has been made, proxy voting is an important tool we use to ensure governance standards are sustained and improved as outlined in our proxy voting policy.

We currently maintain a written Proxy Voting policy which is reviewed on an ongoing basis, and more formally, by NovaPort's Board every two years. The policy details NovaPort's approach to proxy voting in relation to such issues as Board Independence, Committee Memberships and Director Remuneration.

## Conflicts of Interest

In accordance with regulatory requirements, NovaPort maintains a conflict of interest policy to ensure that any actual, potential and/or perceived conflict of interest that may arise both between itself and its clients, a staff



member and a client and between clients are identified, prevented or managed and disclosed in the best interests of clients.

All NovaPort staff are required to complete annual conflicts of interest training to ensure they have the appropriate understanding to identify and report conflicts of interest which can then be prevented or managed pursuant to its conflicts of interest framework.

## Reporting

NovaPort maintains notes from interactions with companies, including engagements. These engagement activities are reported to clients annually.

Date Approved: 15th December 2020

Next Scheduled Review Date: December 2022