



Environmental, Social & Governance Policy

Contact Asset Management - Committed to investing for better outcomes

CONTACT ASSET MANAGEMENT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

ABOUT CONTACT ASSET MANAGEMENT

Contact Asset Management (“Contact”) was established in 2016 with a mantra to Invest for Better Outcomes. We formed the company with the desire to create an innovative investment management business – one whereby we would invest alongside our shareholders / unitholders and drive favourable outcomes over the long term. We have always believed that the best way to achieve these outcomes is through transparency, alignment and trust. Contact is wholly owned by its founders Tom Millner and Will Culbert, and employees.

We are long-term investors, we like to co-invest with founders of companies and we have strong alignment with our investors in all products we manage.

At Contact Asset Management, we believe that the fundamental measure of our success will be the value we create for our co-investors over the long term. We are committed to incorporating Environmental, Social, and Governance (ESG) factors into our investment decision-making process. Our ESG Policy outlines our comprehensive approach to identifying and mitigating ESG risks, as well as opportunities, to enhance long-term investment performance and promote sustainable development.

THE CONTACT TEAM

Contact has over 80 years combined investment experience. Rob, Tom and Will have worked together now successfully for over 11 years, running a variety of very successful portfolio strategies.



Robert Millner AO (Chairman) – over 40 years investment experience

Rob has over 40 years investment experience and is one of Australia’s most experienced investors. Rob was appointed an Officer of the Order of Australia in the 2023 King's Birthday Honours for "distinguished service to business, to rugby union as an administrator, and to the community through philanthropic contributions". Rob has been on the Board of Soul Patts (SOL.ASX) since 1984 and Chairman since 1998; a period which has seen the market capitalisation grow from circa \$700 million to over \$12.8 billion. Rob is also a Director of BKI Investment Company (BKI.ASX), Brickworks Limited (BKW.ASX), New Hope (NHC.ASX), TPG Telecom (TPG.ASX), Tuas Limited (TUA.ASX) and Apex Healthcare (7090-MY).



Tom Millner (Director/Portfolio Manager) – over 20 years investment experience

Tom has over 20 years experience in investment markets and over 13 years as a Director of Australian public companies. Tom has been deeply involved with BKI Investment Company (BKI.ASX) since listing on the Australian Stock Exchange in 2003. During this period, total assets have grown from \$173m to \$1.5 billion, with BKI also paying out over \$1.0 billion in dividends and franking credits to shareholders. Tom is the lead Portfolio Manager for BKI. Tom was a Director of Soul Patts (SOL.ASX) from 2011 until 2023 and is currently a Director of New Hope Group (NHC.ASX). Tom also sits on The Kings School Investment Committee and Foundation Committee.



Will Culbert (Director/Portfolio Manager) – over 20 years investment experience
 Will has over 20 years experience in funds management in Australia and the UK. His tenure with Rob and Tom extends back to 2013 when he first joined BKI as a Portfolio Manager. Will has spent the majority of his career in investment management including BKI Investment Company, Concord Capital, Bank of New York and Challenger. He is a co-founder of Contact Asset Management and is the lead Portfolio Manager for the Contact Australian Ex-50 Fund, launched in March 2020. Will also sits on the University of New South Wales (UNSW) Council Investment Committee.



Rob Horne - Investment Analyst

Rob has over 5 years experience in investment markets having joined Contact in 2019 as an Investment Analyst. In addition, Rob holds the role of equity dealer for the group. Prior to joining Contact, Rob had a very successful professional Rugby career spanning over ten years. Rob represented the NSW Waratahs on 114 occasions and earnt 34 caps for the Australian Wallabies.



Amanda Wong – BKI Company Secretary, Contact CFO

Amanda joined Contact in 2022 after establishing a service agreement with BKI to provide accounting and company secretarial services. Amanda is also the Chief Financial Officer for Contact Asset Management. Amanda is a qualified lawyer and senior finance manager with legal and finance experience gained over 15 years in ASX listed companies in senior finance roles. Amanda holds a CPA membership and In addition, Amanda is a qualified lawyer spending several years in private practice specialising in corporate law.

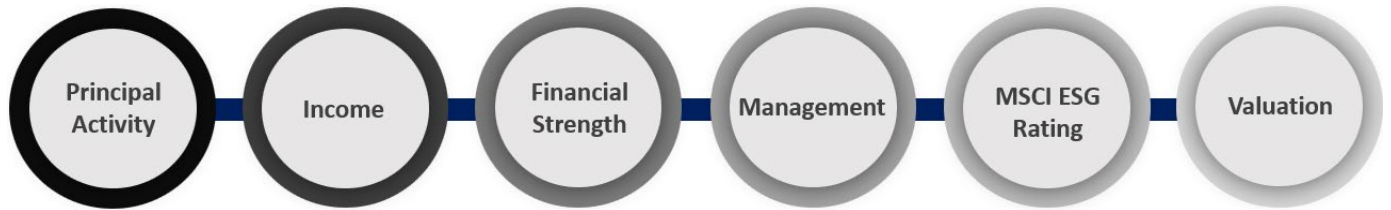
CONTACT IN THE COMMUNITY

We are committed to investing for better outcomes, developing strong relationships with our clients and investing alongside our shareholders. We pride ourselves on being part of the community. Getting out, giving back, helping and supporting others is an important duty for our team, always aiming to better society. Collectively we have raised over \$600,000 for our preferred charities and foundations.



APPROACH TO ESG

A robust ESG policy is essential for sustainable growth and, as a signatory to the Principles for Responsible Investment, Contact demonstrates our commitment to integrating environmental, social, and governance factors into our investment decisions, aligning with global standards for responsible investment. Contact has developed a disciplined investment process that is based on six key tenets:



PRINCIPAL ACTIVITY

- Sustainable Business Model
- Competitive Advantage
- High Barriers to Entry

INCOME

- Dividend Sustainability
- Dividend Yields
- Franking Credits
- Dividend Growth

FINANCIAL STRENGTH

- Net Cash or Low Debt Levels
- Strong Cash Flows
- Appropriate Gearing Ratios
- Appropriate Coverage Ratios

MANAGEMENT

- Founder-led Business
- Strong Alignment
- Experience & Skillset
- Creating Shareholder Wealth

MSCI ESG REPORT

- Environmental Impact
- Social Aspects
- Corporate Governance
- Positive MSCI ESG Rating

VALUATION

- Growing Earnings Profiles
- Attractive DCF valuations
- PE & EV/EBITDA Multiples
- Sum of the Parts

A critical element of Contact's investment process is our proprietary Investment Checklist, which delves into each of the six tenets described above. Contact's research process is focused on fundamental, bottom-up analysis aiming to find high quality companies with growing or stable dividends. The questions throughout the checklist have been designed to help build a sound understanding of the company, the industry it operates in, sustainability of earnings and dividends, key drivers and risks to growth and the strength of the company's operations and Balance Sheet. It considers the quality and experience of the Management Team and Board to complete a detailed valuation using Contact's proprietary models.

Contact's ESG integration into the investment process applies further rigor.

Assessment of material ENVIRONMENTAL, SOCIAL AND GOVERNANCE factors is an inherent part of the investment process. Fundamentally, ESG factors are risk indicators that have the potential to have a material impact on the drivers of intrinsic value (e.g. revenue, expenses, tax, cash flows, capital expenditure and investments, actual and contingent liabilities, capital structure and funding cost and dividends). Insufficient management attention to ESG issues from our investee companies will, ultimately, lead to compromised financial performance.

Contact believes that the benefit of incorporating an increased ESG focus that seeks clear, measurable and sustainable outcomes together with financial returns enhances the robustness of our investment process. We outline our key beliefs below:

ENVIRONMENTAL

We believe that understanding the way a company operates, including the way it accesses resources, is vital in assessing potential opportunities and risks a company and its operations might face in the future. There are several risks that need to be assessed relating to the use of energy, water, land, the production of pollution and the production and disposal of waste.

SOCIAL

We believe that people are the most important asset for any company. We also believe that incentives are a critical success factor in motivating and retaining staff. We consider several aspects of this including diversity, remuneration structures and incentive plans, community relationships, health and safety. We often use third party surveys to assess staff engagement and morale.

GOVERNANCE

We believe that good corporate governance is a hallmark of quality and aligns the interests of the board management and shareholders. An assessment of a company's governance structure is important in understanding potential risks associated with reporting and disclosure and the overall corporate behavior of a company.

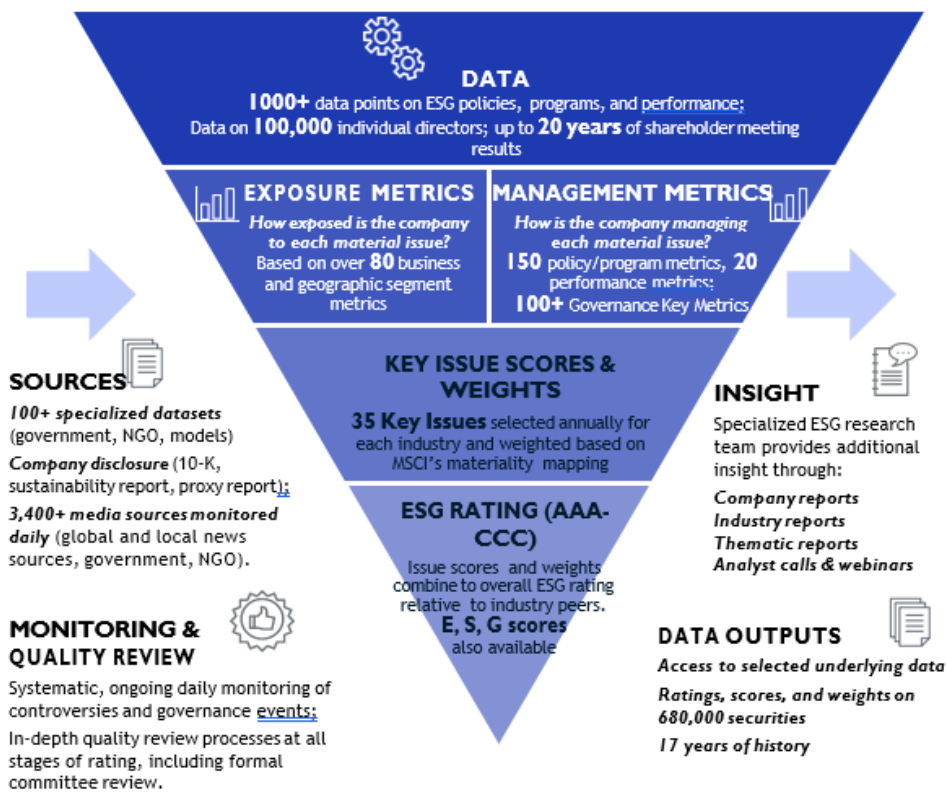
INTEGRATION OF ESG

Environmental, Social and Governance factors have been integrated into Contact's proprietary Checklist over many years. More recently, since 2021, Contact has subscribed to the MSCI's ESG Ratings and Research database.



The MSCI global team have over 200 experienced research analysts who have access to thousands of data points across over 30 ESG Key Issues, focusing on the intersection between a company's core business and the industry issues that can create significant risks and opportunities for the company. MSCI ESG data facilitates the use of rules-based methodology to identify industry "Leaders" and "Laggards" according to their exposure to ESG risks and how well they manage those risks relative to peers. Ratings range from Leader (AAA, AA), Average (A, BBB, BB) to Laggard (B, CCC). To arrive at a final rating, the weighted average of the key issue scores is aggregated and companies are subsequently ranked relative to industry peers. We believe that the MSCI ESG ratings methodology provides Contact with a uniformed and consistent approach to the assessment of ESG metrics.

Exhibit I ESG Rating Framework and Process Overview



Source: MSCI

Contact is also a signatory to the UN Principles for Responsible Investment.



IMPLEMENTING MSCI ESG RATINGS INTO OUR INVESTMENT PROCESS

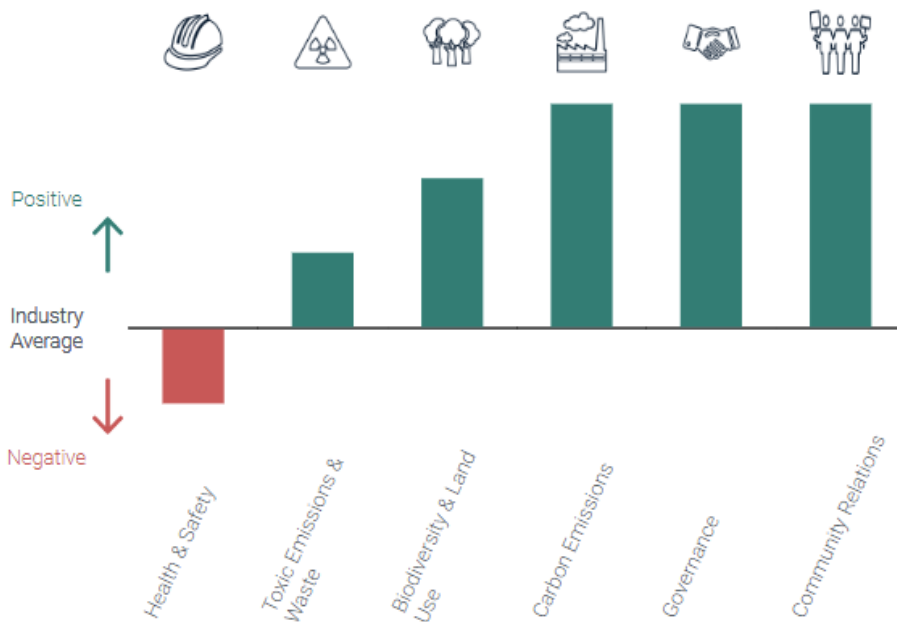
MSCI ESG data facilitates the use of rules-based methodology to identify industry “Leaders” and “Laggards” according to their exposure to ESG risks and how well they manage those risks relative to peers, to arrive at a final rating, ranging from Leader (AAA, AA), Average (A, BBB, BB) to Laggard (B, CCC).

ESG is integrated into Contact’s research process. Contact’s Investment Checklist, Stock Sheets and Research Notes consist of both traditional financial information and analysis and ESG information and analysis. All analysts have access to the MSCI ESG Ratings portal and our FactSet subscription provides a centralised research dashboard with financial and ESG data on one platform. Below is an example of the MSCI ESG Ratings data that is used in Contact’s stock analysis.

MSCI SCORE ATTRIBUTION BY KEY ISSUE

Score attribution by key issue

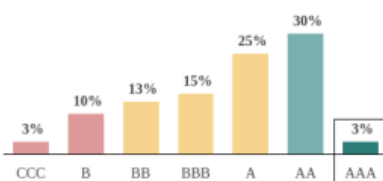
This chart highlights the company's positioning relative to the industry average for each Key Issue that contributed to its ESG Rating as of May 28, 2024.



MSCI ESG RATING DISTRIBUTION AND SCORES

ESG Rating distribution

Universe: MSCI ACWI Index constituents, Diversified Financials, n=60



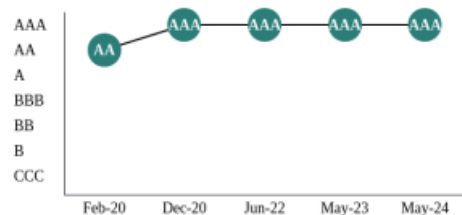
Key scores

	Weight	Score (0-10)
Industry-Adjusted Score (Last Updated: May 24, 2024)		9.3
Weighted-Average Key Issue Score (Last updated: May 24, 2024)		6.7
Environmental Pillar Score	5%	10.0
Social Pillar Score	35%	4.1
Governance Pillar Score	60%	8.0

MSCI ESG RATING AND HISTORY



ESG Rating history



ESG Rating history shows five most recent rating actions

MSCI ESG RATINGS - ESG RATING DRILL DOWN

Environmental Pillar Score

- Carbon Emissions
- Water Stress
- Biodiversity and Land Use
- Toxic Emissions and Waste

Social Pillar Score

- Health and Safety
- Labour Management
- Community Relations

Governance Pillar Score

- Corporate Governance
 - Board Overview
 - Ownership and Control
 - Board and Management Pay
 - Accounting
- Corporate Behavior
 - Anticompetitive Practices
 - Business Ethics and Fraud
 - Corruption and Instability

Recent ESG Developments and Controversies

ESG Score Attribution

ESG Rating History

ESG Rating Peer Distribution

MSCI ESG Ratings are assessed using a bottom-up stock analysis approach. Portfolio Managers are also conscious of ESG weightings in the overall portfolio construction process. Our goal is to have a portfolio of stocks that reflect superior ESG ratings and lead industry peers across ESG key issues. We table all ESG Ratings and changes at Contact’s weekly investment meeting.

Contact actively avoids “Laggards” - in the event an owned stock de-rates and is considered a “Laggard” we will engage with management on the matter and conduct additional in-depth research and analysis on the company. In practice, we need a compelling reason to invest in a BB or lower rated stock. The ratings of BBB or worse (below average ESG ratings) are integrated into our models by applying an additional penalty to the discount rate within our Discounted Cash Flow models to companies. For stocks with a BBB rating or worse, Contact applies the following Discount Rate Penalties.

MSCI ESG Rating Distribution

	CCC	B	BB	BBB	A	AA	AAA
Discount Rate Penalty	Not Investment Grade	0.75%	0.50%	0.25%	0.00%	0.00%	0.00%

OTHER CONSIDERATIONS – ACTIVE OWNERSHIP

PROXY VOTING

We treat our proxy voting responsibilities seriously and will vote on all resolutions put forward by our investee companies. We consider proxy voting rights to be an important part of investing in listed equities and exercising these rights appropriately can, if done correctly, have a considerable impact on a business.

Each proposal is assessed by the Portfolio Managers, with input from the respective analyst, with the intent to make the best decision for all our stakeholders. Generally, Contact seeks to support the Board by positive use of its votes unless there is a valid reason for doing otherwise.

In the event that Contact decides to vote against a proposal, we will generally seek to engage with the company prior to the vote. This engagement with the Board is to ensure we are assessing the proposal correctly and provides an opportunity to ask questions and, if necessary, voice our concerns.

ENGAGEMENT

We believe that active engagement with our investee companies is important. It is the responsibility of each research analyst to engage on ESG topics as part of their ongoing dialogue with Management. Generally, we do not believe in conducting a public campaign in the hope of pressuring a Board or Management Team to take a certain action.




CONTACT
ASSET MANAGEMENT

www.contactam.com.au