Environmental, Social and Governance (ESG) Investment Statement

Overview

Over many decades of investing, Argo is acutely aware that a company's financial sustainability and share price performance is impacted by a range of issues, including environmental, social and governance (ESG) factors.

These factors have the potential to significantly impact a company's long-term value and its returns to shareholders by generating risks and creating opportunities.

ESG integration in our investment process

As long-term investors, analysis of relevant ESG issues forms an inherent part of our investment process. A company's potential liabilities and future growth implications arising from ESG issues are factored into our financial forecasts and impact our long-term valuation of the business.

Transparent and accurate reporting of ESG exposures by companies is critical and companies must ensure they comply with rapidly changing reporting regulations such as, accurate measurement and disclosure of emissions. -

We review and assess these disclosures and closely scrutinise those companies working to resolve ESG-related issues.

In addition, we engage proactively with the management of the companies in which we invest, or are considering investing in, when we evaluate ESG issues relevant to their business.

We pay particular attention to a company's corporate governance policies and practices, as we believe that companies with poor corporate governance are less likely to achieve strong long-term financial performance.

Environmental considerations

Environmental policies and regulation are likely to have a significant impact on the future profitability of many Australian businesses. Companies that anticipate regulatory and investor scrutiny of the environmental impact of their operations, and adjust their businesses accordingly, may offer enhanced returns or a lower risk profile relative to their under-prepared competitors.

It is particularly important that a company is acting to mitigate risks relating to the global transition to net zero. These transition risks include legal, regulatory/policy, reputational and technology risks.

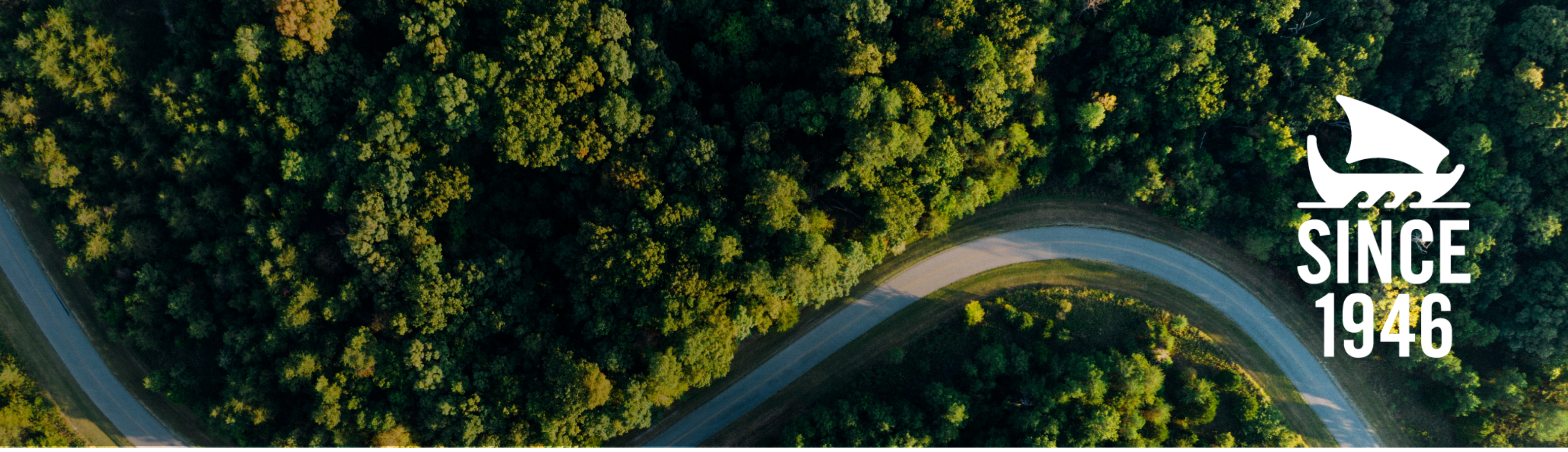
> "In our experience, financial sustainability and share price performance are impacted by ESG factors."

Social considerations

We believe a strong relationship exists between a company's approach to social responsibility and its financial performance. Companies that have failed to act in the best interests of workers, local communities and special interest groups have been subject to legal action, trade union action, lobbying, public backlash and government intervention.

These outcomes harm profitability and investor sentiment, which in turn can impact financial performance and have a negative share price impact.

If a company fails to act in accordance with its social responsibilities, or perceived social responsibilities, this can damage its reputation and brand integrity.



Governance considerations

A primary requirement for the companies in our portfolio is high quality management. In assessing the quality of management, we take into account corporate governance issues. We believe that companies that rate poorly in this area are less likely to achieve strong, long-term financial performance. Academic research also demonstrates the link between governance practices and corporate performance.

We closely scrutinise companies for negative governance issues, such as mismanaged company finances, incoherent strategic vision, inappropriate remuneration structures, failure to capitalise on investment opportunities, poor acquisition discipline, conflicts of interest and related party transactions.

We believe it is important to separately assess any governance issues that might affect the quality or stability of the organisation's current management team. We believe in engaging for change and improvements, by using our influence where possible. Where appropriate, we will lobby management for changes to governance practices and we take an active approach to proxy voting at shareholder meetings. See 'Proxy voting guidelines' on the following page.

ESG issues considered

We consider the impacts of a range ESG issues as part of our qualitative assessment of a company, including those outlined in the table below.

Environmental

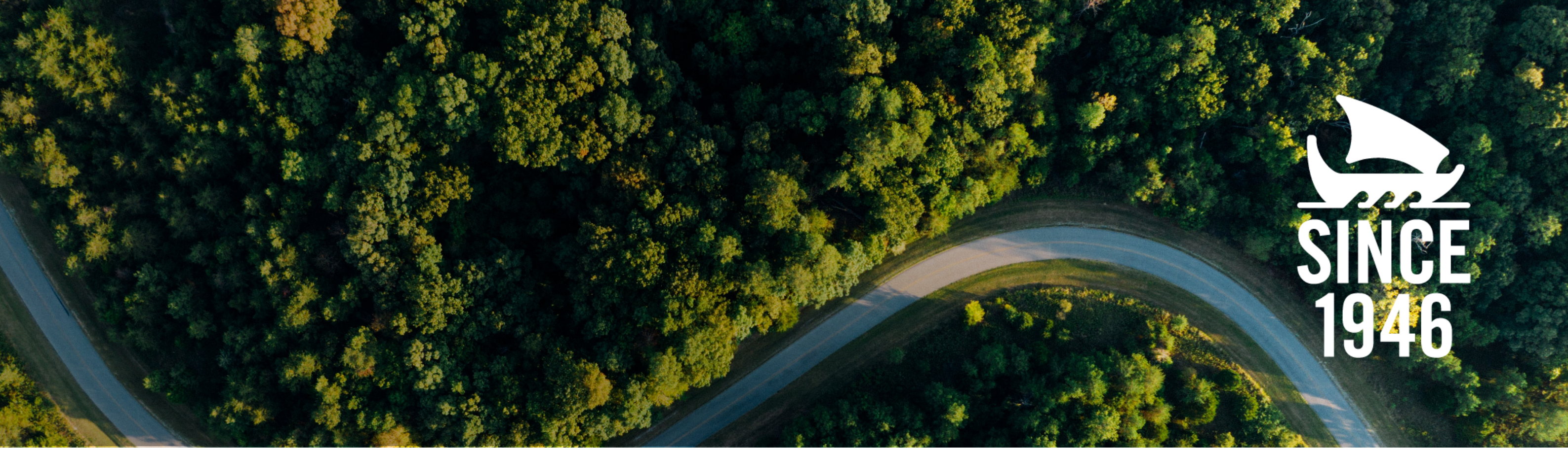
- Transition risks (legal, regulatory, policy, reputational)
- Greenhouse gas emissions
- Biodiversity
- Waste
- Extreme weather events
- Pollution
- Renewable energy
- Resource depletion
- Deforestation

Social

- Modern slavery and human rights
- Stakeholder and community engagement
- Employee relations
- Health and safety
- Discrimination and sexual harassment
- Diversity and inclusion
- Workplace bullying
- AI governance and ethics
- Community safety

Governance

- Board experience, workload and diversity
- Executive remuneration
- Management accountability
- Capital allocation and deployment
- Transparency and disclosure
- Anti-money laundering
- Conflicts of interest
- Data security and privacy



Proxy voting guidelines

As a relatively large shareholder, we carefully consider the proxy voting options attached to companies in our portfolio, conducting in-depth research, and engaging a company's board as required.

We assess resolutions in an unemotive and methodical manner and exercise our proxy votes on an individual company basis. The guiding principle in our decision-making process is to vote in the best financial interests of our shareholders. We acknowledge that the best financial outcomes for shareholders may not necessarily coincide with short-term profit maximisation.

Our voting decisions are independent of third parties, such as proxy advisers, although we may consider external views as part of our research and analysis of a resolution.

We are very cautious of companies where we disagree with directors' recommendations, or where the recommendations involve poor governance and excessive management remuneration. Where mismanagement or wrongdoing has been revealed, we hold boards and/or individual directors to account through the exercise of our proxy votes.

Remuneration structures

We pay particular attention to remuneration reports and incentive structures in our analysis of a company and its future performance. We take a pragmatic approach in assessing remuneration, favouring incentive structures which focus on maximising returns to shareholders through a combination of short and long-term incentives.

We believe incentive structures should predominantly focus on achieving measurable financial targets and ensure executives consider the interests of all stakeholders.

If we have objections to a company's remuneration structure, we are very active in engaging with its board to outline our concerns. If the issues are serious, we advise the company that we may vote against the remuneration report in the future if no changes to remuneration structure are made.

However, in more extreme cases, we vote against a remuneration report if we deem it to be inappropriate in its existing form.

Continuous improvement

Argo commits to continuously improving our approach to ESG integration and developing our knowledge and skills in this area.

More information

For more information, please visit our website argoinvestments.com.au