



# Value Earth Fund – Responsible Investment Policy

Version 1. 19<sup>th</sup> April, 2024

## Responsible Investment Policy

### Who we are

Microequities Asset Management Pty Ltd ('Microequities', 'we', 'our' or 'us') is an active equity funds manager that employs a value-oriented approach to selecting stocks and constructing its portfolios. We focus on small and microcap companies listed on the ASX, as well as international equities. Microequities was established in 2006; it is a listed company (ASX:MAM) majority owned by associated entities of its investment team.

### Why we work on ESG

We believe that ESG (Environmental, Social and Governance) considerations can have a meaningful impact on business and equity performance. Integrating ESG factors into our investment processes will aid us in understanding the long-term risks and opportunities for our investee companies, as well as their management teams, business strategies, and company cultures. We also believe that this aligns us with our client objectives of delivering superior long term returns while managing risk appropriately. By improving our understanding of how companies manage ESG issues, we aim to deliver long-term sustainable, superior returns for clients.

### How we integrate ESG into our investment process

The investment team is responsible for incorporating the most relevant ESG factors into each company's investment case. ESG is factored into all stages of our investment process, from initial research through to valuation, research maintenance, review and portfolio construction.

We have developed a matrix used to score investment candidates on a variety of ESG-related factors, and this is used to both inform areas of further inquiry and potentially disqualify the company from investment. This is also used to help direct our engagement work with investee companies to help them improve their own ESG frameworks. Each analyst is responsible for undertaking the initial matrix and updating it while we remain invested in the company.

We also make use of third-party data providers to inform our investment process, particularly for ESG-related issues. We view this as supplementary to developing a deep understanding of the relevant ESG issues for each individual company.

Corporate engagement also represents a critical element of our investment process and contributes to both our understanding of company-specific ESG issues, as well as encouraging companies, where necessary, to focus on ESG issues or improve their disclosures. This is particularly vital in some of our smaller investee companies, as ESG disclosures tend to be lacking relative to companies with larger market capitalisations. We record and track the outcomes of our ESG engagement with companies, management and the board of directors.

### Third Party Data Providers

We use third party data as an input in our investment process. To validate or contrast insights from third party data, we conduct our own assessment of ESG risks and opportunities using in-house resources. Understanding ESG risks is nuanced and we believe that undertaking our own research is critical to understanding the relevant risks and incorporating them into our specific ESG approach.

### ESG Risk Assessment

We seek to identify the most material ESG risks for each company we research. We use our internal framework and third party data to undertake this analysis. The output of this research is then incorporated into our investment decisions, interactions with management and the board of directors, and informs our voting activities.

Some examples of factors we consider are below:

Environment	Social	Governance
Climate change, carbon emission, water management, biodiversity, raw materials sourcing, green products	Labour management, modern slavery, diversity and inclusion, product safety and quality, customer privacy.	Corporate governance, ethics and corruption, board composition and effectiveness, remuneration, leadership and financial transparency.

### Investment Process

Incorporating ESG factors into the investment process depends on the company and industry in question. We employ the following methods of integrating ESG into our investment process:

Method	Description
Exclusions and negative screening	See the table below for our exclusion policy. We will also exclude other companies where we identify unacceptable ESG risks.
ESG risk identification	We use our internal framework and third-party data providers to identify ESG risks. Where relevant, these are incorporated into the investment case.
Company engagement	Company engagement is a core part of our investment process, and is also used to investigate ESG risks, and communicate expectations related to ESG risks and disclosure to management and the board.
Divestment	Where ESG risks become unacceptable or more meaningful, we may reduce our position size or divest completely from the company.

Controversial Activities and Thresholds			
Activity	Activity Type	Exposure	Threshold
Adult content & entertainment	Production and / or distribution	Production of pornographic material, broadcasting and / or distribution of pornographic material	0%
Alcohol	Production	Manufacturing of alcohol products	0%
Alcohol	Distribution	Distribution or retailing of alcohol products	10%
Animal cruelty		Live exports, use of animal testing beyond regulatory requirements, or practices that cause unnecessary harm to animals	10%
Controversial weapons & armaments	Production and / or distribution	Production of controversial weapons or production of critical components of controversial weapons, or distribution / trade of controversial weapons	0%
Conventional weapons & armaments	Production and / or distribution	Production, trade, testing or maintenance of conventional weapons and critical components of conventional weapons	0%
Fossil fuels	Exploration, mining and / or distribution	The exploration or mining / production of oil, gas, oil sands and coal, or distribution of the same. Note this does not include transport of the same or contracting to these companies	0%
Gambling	Production and / or distribution	Provision of gambling services or manufacturing gaming machines or software	5%
Human rights	Human rights breaches	Reflected in research process	0%
Old growth forest logging		Old forest logging, production of non-RSPO palm tree oil	0%
Predatory lending	Production and / or distribution	Payday lenders or distribution of payday lending products	10%
Tobacco & tobacco-based products	Production	Production of tobacco products or e-cigarettes	0%

Tobacco & tobacco-based products	Distribution	Production of key components for tobacco production (e.g. packaging for cigarettes) or distribution of tobacco products (e.g. through supermarkets)	10%
Uranium	Mining / extraction	Uranium extraction or refinement	0%

### How we vote

We view proxy voting as the most impactful method of influencing companies, and we take our responsibility seriously as shareholders and fiduciaries. We do not make use of external consultants, as we believe that taking the time to form our own opinions, and where necessary, to express those to management and the board of directors is a key responsibility for us as investment managers.

### Charitable Giving

Microequities donates 5% of the management fees from managing the Value Earth Fund to the Foundation for National Parks and Wildlife. These funds will be dedicated to planting trees in Australia and regenerating Australian forests.

### Review

We will undertake a review of this policy at least annually or more frequently if required.

**Appendix – ESG Matrix**

Value Earth Fund	
Environmental, Social and Governance Matrix	
Company Name	
Company Ticker	
ESG Score	

E		Performance			S		Performance			G		Performance			
Materiality		Good	Acceptable	Poor	Materiality		Good	Acceptable	Poor	Materiality		Good	Acceptable	Poor	
	High					High					High				
	Medium					Medium					Medium				
	Low					Low					Low				
Materiality		Performance			Materiality		Performance			Materiality		Performance			
										Materiality is always medium.					

ESG Score	Environment	Social	Governance	Overall
<b>+1</b>	Must meet both of the following criteria: <ul style="list-style-type: none"> <li>Provides an annual CSR / sustainability report</li> <li>Improved CSR / sustainability disclosure</li> </ul>	Must meet all of the following 5 criteria: <ul style="list-style-type: none"> <li>Provides an annual CSR / sustainability report</li> <li>Social participation (community spending &gt;0)</li> <li>Whistleblower policy, ethics and / or conflict resolution policy</li> <li>Modern slavery policy</li> <li>Does not operate in a sin sector</li> </ul>	Must meet all of the following 4 criteria: <ul style="list-style-type: none"> <li>Board diversity: at least 10% women represented on the board</li> <li>Board independence: Chairman and CEO roles are separate</li> <li>Board independence: at least 1/3 of the board are independent</li> </ul>	Must score a 1 in each of the 3 categories
<b>0</b>	Must meet at least 1 of the following criteria: <ul style="list-style-type: none"> <li>Provides an annual CSR / sustainability report</li> <li>Improved CSR / sustainability disclosure</li> </ul>	Must meet at least 1 of the following 4 criteria: <ul style="list-style-type: none"> <li>Provides an annual CSR / sustainability report</li> <li>Social participation (community spending &gt;0)</li> <li>Whistleblower policy, ethics and / or conflict resolution policy</li> <li>Modern slavery policy</li> <li>Does not operate in a sin sector</li> </ul>	Must meet at least 1 of the following 4 criteria: <ul style="list-style-type: none"> <li>Board diversity: at least 1 woman represented on the board</li> <li>Board independence: Chairman and CEO roles are separate</li> <li>Board independence: at least 1/3 of the board are independent</li> </ul>	Score a 0 or 1 in each of the categories
<b>-1</b>	Must meet both of the following criteria: <ul style="list-style-type: none"> <li>No CSR / sustainability report</li> <li>No improvement in CSR / sustainability disclosure</li> </ul>	Must meet all of the following 4 criteria: <ul style="list-style-type: none"> <li>Doesn't provide an annual CSR / sustainability report</li> <li>No social participation (community spending as a percentage of PBT = 0)</li> <li>No whistleblower policy, ethics and / or conflict resolution policy</li> <li>No modern slavery policy</li> </ul> Or: <ul style="list-style-type: none"> <li>Operates in a sin sector</li> </ul>	Must meet all 3 criteria: <ul style="list-style-type: none"> <li>Board diversity: no women represented on the board</li> <li>Board independence: Chairman and CEO roles are not separate</li> <li>Board independence: no independent board majority</li> </ul>	Total score -1 or less or operates in a negative screen sector