

Environmental, Social and Governance Policy



November 2023

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Title of document	Environment, Social and Governance Policy
Description	This policy provides principles for consideration of ESG matters in respect of Kestrel's investment process.
Scope	All officers and employees of Kestrel Capital and its subsidiaries
Policy Owner	Compliance Officer or Board delegate
Policy Approver	Kestrel Capital Board
Effective Date	November 2023
Review Date	November 2026 or on material change
Related documents	<ul style="list-style-type: none"> Proxy Voting Policy

Version	Date of Approval	Notes
1	November 2018	Initial version
1.1	November 2021	Review
1.2	November 2023	Review

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1. Definitions

ESG means environment, social and governance.

Investment Committee means the committee established by the Company to make investment decisions in relation to a particular fund or client. The Company discloses the composition of its investment committee in the relevant fund information memorandum and on its website.

Kestrel Capital, KC or the Company means Kestrel Capital Pty Limited ACN 061 515 062

2. Introduction

- 2.1. The Company believes that Environmental, Social and Governance (ESG) factors can affect the risk profile and value of investments.
- 2.2. As part of the Company's process to ensure that it continues to maintain the highest levels of professional integrity and ethical conduct, the Company has adopted this Environmental, Social and Governance Policy ("**Policy**") to consider ESG issues as an integral part of its investment process and to act in the best interests of its clients and shareholders in an open and transparent manner.
- 2.3. The Company seeks to integrate ESG considerations into all aspect of its business.
- 2.4. The Company is a member of the Responsible Investment Association Australasia (RIAA).

3. When Does This Policy Apply?

- 3.1. This Policy applies to all representatives and employees of the Company at all times and the requirements remain in force on an ongoing basis.

4. Policy Statement

- 4.1. The Company will:
 - (a) seek to develop a dynamic understanding of the potential and actual impact of ESG factors to the risk profile and value of its investments;
 - (b) target to best risk adjusted returns based on the scope of its management agreement; and
 - (c) take measures it considers necessary to manage risk posed by ESG factors in a transparent manner.

5. Approach

- 5.1. The Company integrates ESG factors into each stage of its investment process using three principles:
 - (a) **Identify and understand** - a dynamic ESG picture is created for each investment, a process owned by the investment team.
 - (b) **Assess** - ESG issues are assessed with other risks by the Investment Committee, investments are screened on risk-adjusted returns rather than high ESG risk.
 - (c) **Manage and Engage** - investments team engages on ESG and other risk issues and maintains situational awareness.

Identify and Understand

- 5.2. The Company's investment team identify ESG and other risks and build a common understanding of the risk profile for each investment. We do not outsource this process; however, we may seek advice where required. We believe that outsourcing ESG analysis reduces ownership and prevents integration into the investment process.

Assess

- 5.3. The Company believes that ESG risk can be assessed together with other risks to determine a risk-adjusted return within its investment term.
- 5.4. The Company selects investments based on several factors, primarily risk-adjusted returns. The Company believes screening out investments based on high ESG risk profile, potentially deprives investors of returns, and instead incorporates ESG risk into its valuation considerations.
- 5.5. The Investment Committee, based on research and recommendation of the investment team, is responsible for assessment of ESG risk.
- 5.6. The investment team incorporate ESG in its fundamental research and may refer to external benchmarks and research.
- 5.7. Assessments are made on a forward-looking basis within the target investment term, rather than focussing solely on historical data.

Manage and Engage

- 5.8. The Company identifies ESG and other risks for management and engagement during the term of its investment. Progress is monitored by the Investment Committee and reported to the board.
- 5.9. The Company considers ESG risk when voting on proposals (refer the Company's Proxy Voting Policy).

Examples

- 5.10. Examples of how the Company implements its approach, include:
- (a) Research examines whether prospective investee companies meet the Company's understanding of ESG reporting obligations and best practice? Reporting if not, why not?
 - (b) The Company's investment team and Investment Committee has adopted the EU Taxonomy (sustainable finance) whilst a similar standard is in development by the Australian Sustainable Finance Institute.
 - (c) Employees are required to complete CPD to maintain detailed understanding of ESG issues.

6. ESG Reporting

- 6.1. The Company responsibility as a shareholder and considers ESG risk when voting on proposals (refer the Company's Proxy Voting Policy).

Issued by Kestrel Capital Pty Limited

November 2023