



# Responsible Investment Policy

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This document details the key elements of the Responsible Investment Policy for the Canopy Global Small & Mid Cap Fund ARSN 677 991 954 (the Fund). The Policy is set by Canopy Investors Pty Ltd (Canopy) as Investment Manager and will be reviewed annually, or more frequently as updated or required.

The Policy applies to all members of the Canopy investment team and covers our approach to integrating Environmental, Social and Governance (ESG) considerations into the investment process. It should be read in conjunction with the Fund's Product Disclosure Statement, Additional Information Booklet, and related investment documentation.

## 1. Canopy's implementation of responsible investing

At Canopy, responsible investing is the systematic evaluation of environmental, social, and governance (ESG) factors throughout the investment decision-making process. We believe the integration of responsible investment principles into our decision-making process enhances investment outcomes for our investors, with the added benefit of contributing to better societal outcomes.

Our approach focuses on ESG factors that are financially material and relevant to long-term investment performance, consistent with our multi-year investment horizon. ESG risk assessment is an integral aspect of our quality assessment framework. Our detailed qualitative ESG review directly impacts our view of company quality and therefore influences portfolio inclusion and weighting decisions.

We believe ESG considerations are particularly important for companies within our small and mid-cap universe, where:

- management quality and governance practices can be more variable and often differentiate successful from unsuccessful businesses;
- environmental and social risks can disproportionately impact companies with limited resources to manage challenges;
- established ESG practices often signal long-term thinking and strong management capabilities; and
- ESG-related opportunities and risks are often less efficiently priced in smaller company shares.

### Human rights and modern slavery

Canopy is committed to upholding internationally recognised human rights and the elimination of modern slavery in all its forms. As part of our ESG research and engagement process, we assess and monitor exposure to modern slavery risks - particularly in high-risk geographies and industries - and consider how companies are managing these risks through policies, due diligence, and transparency.

In addition, we support and endorse Bennelong Funds Management's [Modern Slavery Statement](#).

### Climate risk

Canopy recognises the growing financial and systemic risks associated with climate change. We support the goals of the Paris Agreement, including limiting global temperature increases to well below 2°C. We also support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our investment process considers material climate-related risks and opportunities, such as carbon intensity, transition risk, and physical climate risk. We engage with companies on their decarbonisation strategies, emissions reduction targets, and overall readiness for a low-carbon economy.



## 2. Objectives in integrating ESG factors

Canopy's approach to investing focuses on identifying high-quality small and mid-cap companies trading at reasonable valuations. ESG considerations are integral to our assessment of quality, providing critical insights into:

### Business risk:

- Identifying potential ESG-related regulatory, legal, operational, and reputational risks.
- Assessing business resilience to environmental change, regulatory shifts, and evolving societal and stakeholder expectations.
- Evaluating governance structures and potential agency risks facing minority shareholders.

### Return opportunities:

- Recognising companies positioned to benefit from ESG-driven transitions.
- Identifying businesses with competitive advantages strengthened by leading ESG practices.

### Management quality:

- Assessing management competence through their approach to ESG risk exposures and challenges.
- Evaluating corporate culture, long-term strategic thinking, and stakeholder management capabilities.
- Analysing executive and board incentive structures and alignment with shareholder interests.

## 3. ESG operational structure

All Canopy investment team members are involved and accountable for the implementation of responsible investment principles.

### Team responsibilities

#### Investment Analysts:

- Primary analysts:
  - conduct detailed ESG analysis and scoring for all companies within their coverage universe;
  - incorporate material ESG considerations into company research reports and investment recommendations;
  - monitor ongoing ESG developments and controversies for covered companies;
  - engage with company management on material ESG issues as part of regular research activities, explicitly recording these engagements; and
  - execute proxy votes on companies under coverage ensuring voting remains aligned with ESG principles.
- Secondary analysts review ESG analysis to ensure consistency and quality.

#### Portfolio Managers and the Investment Committee:

- All investment team members participate in regular Investment Committee meetings. ESG assessments are discussed, and scores determined, as part of standard investment review and quality scoring processes.
- Significant ESG controversies or rating changes are addressed collectively.
- Portfolio Managers are responsible for oversight of overall ESG integration effectiveness and policy adherence.

### Data sources and research framework

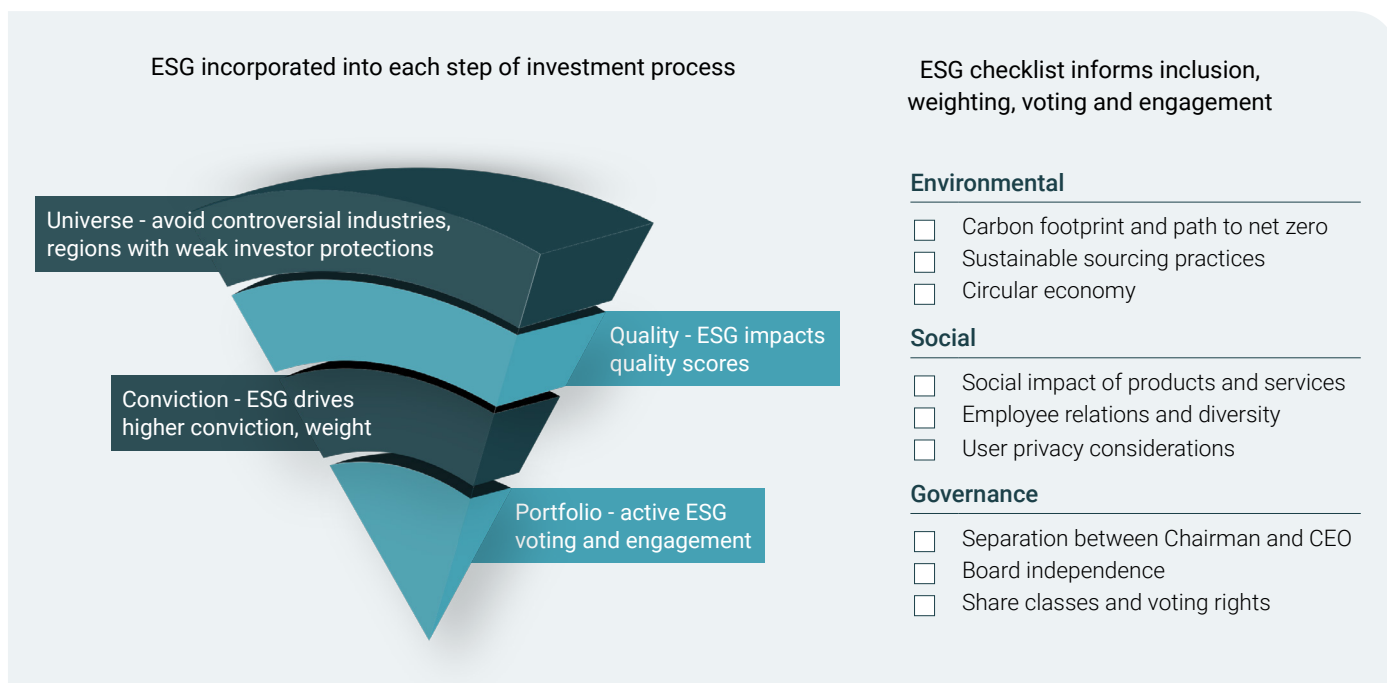
Our ESG analysis incorporates multiple data sources, including:

- ESG ratings, research reports, and data from Glass Lewis, FactSet, and Alphasense;
- company sustainability reports and ESG disclosures;
- regulatory filings and proxy statements;
- direct management engagement and company meetings;
- industry expert discussions and channel checks; and
- Analyst insights from field research and site visits.



## 4. Inclusion in the investment process

Canopy's responsible investment philosophy is fully integrated into its investment process, with ESG considerations embedded at multiple stages, from initial screening through to fundamental research, portfolio construction, and ongoing monitoring.



### Screening

Canopy's responsible investment process begins with a screening stage that excludes securities with material exposure to controversial industries or practices from the investable universe. These include, but are not limited to, involvement in the manufacture of controversial weapons (such as landmines and chemical weapons), as well as tobacco and tobacco-related products. Under Canopy's framework, materiality is defined as direct revenue exposure exceeding 10% of total company revenue.

From a geographic perspective, Canopy focuses on developed markets. This approach reduces exposure to countries with oppressive regimes, systematic human rights violations, or weak regulatory frameworks.

### Stock research

The investment team completes two key fundamental research reviews for all prospective investments.

- **Primary research review:** Analysts complete a comprehensive assessment of each company's business quality, which includes ESG practices, material risk exposures, and mitigation strategies using a wide range of sources. The analysis culminates in the Analyst proposing an ESG score from Low to High.
- **Secondary research review:** Analysts complete a detailed checklist analysing key issues, including ESG issues, for example, supply chain sustainability, data protection and board independence. This process highlights areas for further research and monitoring. The secondary review builds upon initial due diligence and allows for a comprehensive and consistent ESG framework to be applied across the portfolio.





## ESG scoring methodology

Company ESG scores are based on a comprehensive assessment across three key dimensions:

### Environmental factors, including:

- climate change risk and opportunity assessment;
- emissions disclosure and reduction targets; and
- environmental sustainability practices.

### Social factors, including:

- labor relations and human rights practices;
- community relations and social licence to operate; and
- data protection and privacy considerations.

### Governance factors, including:

- board independence and structure;
- board and executive remuneration and incentive alignment; and
- ownership structures and minority shareholder protections.

## Investment Committee

At Investment Committee meetings, all team members review the research and collectively assign companies an ESG score from Low to High. This ESG score becomes a sub-component of the company's total quality score. The total quality score is critical in determining company investability and portfolio inclusion, appropriate position sizing within the portfolio, and overall investment conviction relative to other opportunities.

## Policy ownership

Jack McManus is the current designated owner of this Policy. The policy owner is responsible for monitoring implementation to ensure consistent adherence to high standards, including resolving conflicts where there are material differences of opinion between Analysts and the Investment Committee. Additionally, the policy is to be reviewed biennially by the policy owner to ensure processes are up to date with evolving regulatory requirements as well as best practice.

## Ongoing engagement and monitoring

Analysts are responsible for ongoing ESG monitoring and engagement and do so by maintaining ongoing dialogue with portfolio companies, with ESG matters regularly discussed as part of broader engagement efforts.

We engage with companies on their ESG practices to:

- better understand their approach to material ESG risks and opportunities;
- encourage improvements in ESG disclosure and transparency;
- support the development of more sustainable business practices;
- address specific ESG concerns or controversies that may arise; and
- gain insights into management quality and long-term strategic thinking.

Engagement activities include:

- regular management meetings incorporating ESG discussions;
- targeted conversations on specific ESG issues or developments;
- collaborative engagement with other shareholders; and
- written communication on material ESG matters.

All ESG-related engagements are recorded in Canopy's internal research platform, ensuring insights are captured and incorporated back into the investment process. Beyond individual Analyst responsibility, ESG factors and engagement outcomes are discussed in Investment Committee meetings.

## Proxy voting

Proxy voting is a core expression of shareholder rights and an important lever for influencing corporate behaviour. Through proxy voting, investors can directly signal their views to company management, including on ESG issues. For example, voting on board appointments or executive remuneration provides a mechanism for shareholders to promote accountability and governance standards.

At Canopy, Analysts are responsible for voting on all resolutions at company general meetings. Voting decisions are made independently following a thorough review of company proxy materials and are supported by external research from Glass Lewis. The overarching goal of Canopy's proxy voting activities is to reinforce strong ESG governance frameworks while supporting an environment that enables companies to achieve operational excellence.



## Escalation process

When significant ESG concerns arise, we follow a structured escalation process:

- Initial engagement: Direct discussion with company management to understand the issue and management's response.
- Enhanced monitoring: Increased scrutiny of the company's ESG practices and progress on addressing concerns.
- Investment review: Reassessment of the investment case, including potential impact on quality score and position sizing.
- Formal communication: Where appropriate, written communication outlining concerns and expectations for improvement.
- Divestment consideration: In cases where concerns cannot be adequately addressed, consideration of position reduction or exit.

## 5. Commitment to continuous improvement

Canopy recognises that ESG data, frameworks, and expectations continue to evolve. We are committed to continuously improving our ESG research, engagement, and monitoring practices, and will adapt our policy framework accordingly. We regularly review our approach in light of emerging ESG risks, stakeholder feedback, regulatory developments, and global best practices to ensure it remains relevant and effective.



For more information, visit [canopyinvestors.com](https://canopyinvestors.com) or  
call 1800 895 388 (AU) or 0800 442 304 (NZ).