ACORN CAPITAL

RESPONSIBLE INVESTMENT POLICY

INNOVATION EFFICIENCY GROWTH DIVERSITY

ACORN CAPITAL

NEXT GENERATION INVESTING

Responsible Investment Policy

Purpose

Responsible investment and the consideration of Environmental, Social and Governance (ESG) factors is integral to how Acorn Capital Limited (Acorn) thinks about investments and can have a material impact on long-term investment performance. This policy outlines Acorn's approach to responsible investment and how this approach is implemented.

This Policy applies to all Acorn employees, directors and subsidiary entities, and covers all Acorn's funds.

The policy should be read in conjunction with the following Acorn's Policies:

- Modern Slavery Policy;
- Proxy Voting policy;
- Investment and Trade Allocation Policy; and
- Risk Management Policy
- Conflicts of Interest Policy

Environmental – Examines how organisations affect the natural environment
Social – Examines how organisations manage their relationships with employees, suppliers, clients and communities.
Governance – Examines the organisations' values, leadership, executive pay, audits, shareholder rights and internal controls

About Acorn's approach to investment

Acorn believes emerging Australian companies provide investors with the ability to access attractive financial returns and portfolio diversification, while delivering a positive economic benefit to the broader Australian economy.

Our investment approach seeks to identify the best emerging companies within an industry. Acorn distinguishes itself through its large research and investment team, with expertise across the majority of industries and the provision of expansion capital to developing companies.

Smaller emerging companies are the next generation of Australian corporate successes, typically associated with high levels of productivity and innovation, as well as providing new employment opportunities for Australians. They can react to changes in the business environment with greater nimbleness than their larger counterparts and therefore present significant opportunities.

The sophistication of emerging companies' analysis and reporting on ESG factors can be less mature than larger corporations. Therefore, in contrast to large-cap fund managers who have access to detailed ESG data, Acorn generally requires a bespoke approach to assessing the risks and opportunities for the companies in its investment universe.

Approach to responsible investment

Acorn believes that:

- The identification and understanding of environmental, social and governance factors are linked to long term sustainable business performance and improved investment outcomes;
- Companies that understand and appropriately manage risks and opportunities will be rewarded in the long term (for example with a relatively lower cost of capital);
- Investment capital can have a positive impact on people and the environment; and

- Be being ESG conscious and weighing the potential risks and returns of investment decisions we assist in meeting client's goals and acting in the best interests of our clients, in-line with Investment Management Agreements, the regulatory landscape and acting in accordance with our conflicts of interest policy.

There are a range of environmental, social and governance issues that can impact a company. As a part of the investment process, Acorn portfolio managers work to understand the relevant issues for each company and sector and are responsible for ensuring that these issues are adequately considered as part of investment research and decision-making processes.

Acorn believes that good governance and the incorporation of ESG factors is of particular importance to emerging companies, because this will strongly influence the extent to which material business risks and opportunities are identified and effectively managed. Poor management of ESG risks could lead to reputational, operational, litigation, and/or financial impacts.

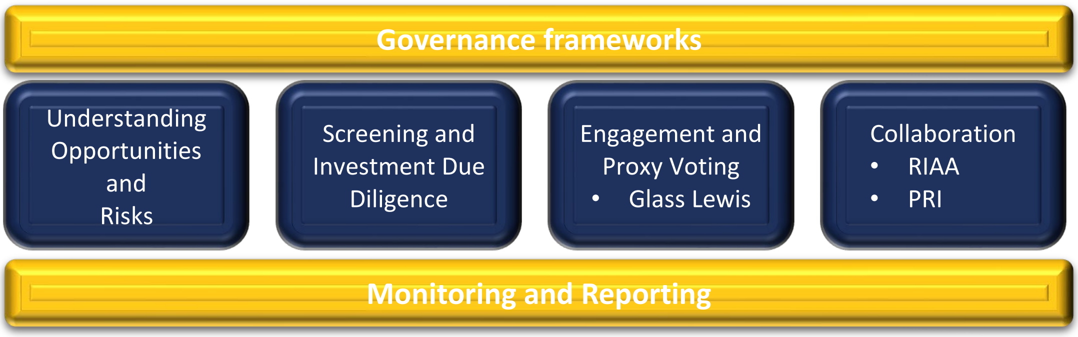
Figure 1 includes examples of ESG issues considered by Acorn. Acorn also reviews penalties and controversies related to these topics.

Figure 1 – Examples of ESG issues considered by Acorn Capital

Responsible investment in practice

Responsible investment does not rely on a single strategy, but instead uses a range of strategies depending on the industry sector and where the company is on its development curve. Our ESG integration has been designed to incorporate negative screens and Governance ratings to help us understand how a potential investment is managing its risks and opportunities related to environmental, social and governance criteria. When issues are identified Acorn considers ways in which it can influence good practice and create positive change over investment horizons as part of its decision-making processes.

Figure 2 – Acorn Capital's Responsible Investment framework



Screening and due diligence

Relevant ESG issues for a company are assessed in the initial screening and ranking stage of the investment process and integrated into internal investment models. This work is supported through Acorn's subscription to S&P products such as iLevel, as well as a carbon data provider, EMMI. Where there is a lack of relevant information for a company, Acorn portfolio managers engage directly with the company to source the required information which is then incorporated into our iLevel database.

Acorn has no formal portfolio-wide exclusions but does integrate client exclusion requirements as required. That said, the consideration of ESG issues can result in Acorn deciding not to invest in certain sectors or companies. For example, the ongoing assessment of climate change risk has led Acorn to make the decision, at this stage, not to invest in companies with >25% of their annual revenue from thermal coal because of the high stranded-asset risk.

Acorn works with our clients to ensure their specific negative screens are adhered to.

Active stewardship

Engagement with companies

Acorn's research focus sees the investment team meet with over 400 companies per annum, providing the opportunity to engage with management on ESG related issues. Our engagement includes meeting with management and board members and/or their representatives, through to site visits to observe first-hand the company's commitment to implementing their stated environmental, social and governance frameworks and policies.

The engagement process focuses on understanding a company's ability to create sustainable value, encouraging higher standards of corporate performance, and promoting change where company value is at risk. Where appropriate, company engagement may occur in collaboration with other investors.

Engagement with companies to better understand risks and opportunities prior to investment is a critical part of the investment screening process. This engagement continues post investment, to understand ongoing risk management activities and communicate any concerns. This includes governance issues which can be particularly important for emerging companies.

Proxy voting

Proxy voting is an important part of Acorn's approach to stewardship as it helps to communicate our views to investee companies. Acorn is actively involved in proxy voting and uses a proxy voting research provider (Glass Lewis) to inform voting decisions.

Acorn reviews proxy voting recommendations and will make its own recommendations in circumstances where proxy provider views do not align with our understanding of the issues.

This process may include engaging with Glass Lewis and/or the company involved to obtain additional information or validate our assessment.

Glass Lewis proxy voting policies can be found here https://www.glasslewis.com/voting-policies-current/. Acorn reviews updates to Glass Lewis proxy voting policies to confirm continued alignment with our overall Responsible Investment approach.

Climate change

Acorn's investment process recognises the impacts that climate change can have on an investment, and we have identified a range of potential climate related risks and opportunities for companies in our investment universe. These include:

Physical Risk	Transitional Risk	Opportunities
Acute - risks associated with the increased severity and frequency of extreme weather events such as bushfires and floods. **Chronic** - associated with longer term changes such as rising sea levels and increasing mean temperatures.	**Policy and Legal** - including exposure to litigation, enhance emissions reporting obligations and pricing of GHG emissions. **Technology** - substitution of existing products and services with lower emissions options, unsuccessful investment in new technologies, cost to transition to lower emissions technology **Market** - changing customer behaviour, uncertainty in market signals, increased cost of raw materials. This includes stranded asset risks associated with declining demand for fossil fuels during the global transition to a low-carbon economy. **Reputation** - shifting consumer preferences, stigmatisation of sector, increased stakeholder concern or negative stakeholder feedback.	**Resource Efficiency** - use of more efficient modes of transport, use of more efficient production and distribution processes, use of recycling, move to more efficient buildings, reduced water usage and consumption. **Energy Source** - use of lower-emission sources of energy, supportive policy incentives, participation in carbon markets, shift toward decentralised energy generation. **Products/Services** -development and/or expansion of goods and services. **Markets** - access to new markets, use of public-sector incentives, access to new assets and locations needing insurance coverage. **Resilience** - participation in renewable energy programs, resource substitutes/diversification.
Example	**Example**	**Example**
Acute impacts could affect the mining, energy and agricultural sectors as well as service providers to these sectors. Sea level rise and storm surge could impact on coastal infrastructure such as ports.	Government policy such as a carbon tax could impact directly on oil, gas and coking coal producers with broader industries potentially impacted from increased energy costs.	The global transition to a low-carbon economy will create increased demand for the metals and minerals used in energy storage and electrification, including lithium, nickel, copper, cobalt, graphite and the rare earth elements.

Acorn supports the work done by the Taskforce for Climate-related Disclosures (TCFD) and will seek to further integrate this into our process for assessing climate-related risks and opportunities of investments.

Sustainable Development Goals (SDGs)

Acorn has both a responsibility and opportunity to shape a sustainable world through capital allocation. Aligned with our belief that investment capital can have a positive impact on people and the environment, Acorn focuses on investment opportunities that have the potential to contribute to environmental and social outcomes and those aligned with the Sustainable Development Goals (i.e., the global framework to achieve a better and more sustainable future for all by 2030).

SDG ratings provide investors with greater insights into the sustainability of activities in a portfolio compared to an ESG rating in isolation but accessing and interpreting relevant data for smaller companies can be challenging.

We periodically undertake SDG rating reviews of specific portfolios and will expand on this work over the future as more data becomes available for our investment universe.

Modern slavery

Acorn is opposed to modern slavery in all forms. As a small-medium sized investment firm, Acorn recognises that our risk exposure to modern slavery lies in our investments and our supply chain.

Acorn seeks to identify, address and mitigate modern slavery risk in a consistent manner across our supply chain. Within our investment processes, Acorn considers geographic risk, product/service risk and industry risk. Acorn has identified that the following industries are considered a higher risk of modern slavery practices:

- Mining and energy;
- Construction and property;
- Food, beverage and agriculture; and
- Healthcare.

We engage with portfolio companies on potential modern slavery risks and management actions where relevant. Acorn is not directly exposed to the reporting requirements of the Australian Modern Slavery Act 2018 (Cth) but will use these requirements to inform the evolution of our responses to modern slavery risks over time.

Diversity and inclusion

Acorn believes boards that represent both diverse professional and personal experiences and identities are higher performing. Acorn seeks to invest in companies with diverse and inclusive boards. We engage with portfolio companies on the issue of diversity and inclusion at the board and organisational level. The value associated with diversity and inclusion is also integrated into our approach to proxy voting.

Commitments and signatories

Acorn has signed the UN Principles for Responsible Investment (UNPRI) and associated reporting.

In addition, Acorn is a member of the Responsible Investment Association of Australasia (RIAA).

Reporting

Acorn reports to clients on relevant elements of responsible investment policy implementation in line with requirements set out in Investment Management Agreements and in response to ad-hoc requests.

Acorn will periodically report to the Board on the implementation of this policy.

Policy Breaches

Exceptions or breaches identified must be immediately reported to the Compliance Manager and in line with Acorn's Incident Management Breach Escalation Policy.

Policy Exemptions
Any requests for an exemption to this policy must be submitted for approval to the Board via the Compliance Manager.

Legal Obligations
If you believe you have a legal obligation that is inconsistent with this policy, you should immediately report the inconsistency to the Compliance Manager and as a general rule should comply with the higher standard.

Policy Review
This policy will be reviewed every two years or when there are significant changes to laws and regulations or significant changes to Acorn's operations.

Where to get help
If you need more information or are unsure about how this policy operates, you should seek the assistance of the Compliance Manager.

Owner	Compliance Manager
Version	2.0
Approved	Board (October 2023)
Superseded Policy	1.0 (May 2021)