



Responsible Investment Policy and ESG Guidelines

Chester Asset Management

July 2026

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Purpose and Scope

The purpose of this Policy is to describe Chester Asset Management Pty Ltd's (Chester) approach to Responsible Investment and the consideration of environmental, social and governance (ESG) factors in its investment process. This policy applies to all equity strategies managed by Chester.

Beliefs

Chester believes its fiduciary duty to clients includes taking material ESG factors into consideration in its investment decision making process, and is essential for our success as an investment manager to deliver attractive long-term risk adjusted returns. Our ambition is to protect and then grow generational wealth.

Chester recognises that ESG considerations can have a material impact on the performance of companies (positively and/or negatively) and we as investment managers need to understand individual companies' ESG risks and opportunities to make informed investment decisions. Over the long term, the creation of economic value is intrinsically linked to the strength and effectiveness of an organisation's governance. Robust governance frameworks foster responsible decision-making and ethical behaviours that underpin sustainable business practices.

Strong corporate cultures will focus on continuously improving the way businesses operate. This includes enhancing workplace health and safety, addressing labour and human rights risks across supply chains, reducing emissions in a way that balances environmental, social and economic outcomes, and fostering diversity and inclusion. Ultimately, these improvements stem from organisations with strong corporate cultures that embed responsible business practices into their decision-making.

Chester believes that stewardship supports the responsible management of our clients' capital. Our stewardship approach emphasises direct engagement with company boards and management as well as active proxy voting. While Chester is not an activist investor, we recognise that if we fundamentally disagree with a company's culture or strategic direction, the most appropriate course of action may be to exit the investment and reallocate capital elsewhere.

Principles for Responsible Investment

Chester is a signatory to the Principles for Responsible Investment (PRI) supported by the UN and commits to the following PRI principles where consistent with its investment management responsibilities. Chester will:

1. Incorporate ESG issues into investment analysis and decision-making processes;
2. Be active owners and incorporate ESG issues into our ownership policies and practices;
3. Seek appropriate disclosure on ESG factors by the entities in which we invest;
4. Promote acceptance and implementation of the Principles within the investment industry;
5. Work together to enhance our effectiveness in implementing the Principles; and
6. Report on our activities and progress towards implementing the Principles.

ESG Integration

Chester considers ESG factors in its investment process using a materiality-based, pragmatic approach. The aim is to identify financially material ESG risks and opportunities for companies in its investment universe and integrate the risk analysis into investment decision making.

Chester's investment team undertakes a Quality Assessment for investee companies using Chester's proprietary scorecard. Appendix 1 provides an example. Key considerations are:

- **Materiality:** systematic evaluation of which ESG topics are most likely to affect each company's operations, risk profile, and ability to create value.
- **Sector and company relevance:** analysing the unique characteristics of each industry and company, recognising that what is material for one business may not be for another.
- **Fundamental ESG topics:** ESG topics considered core for all potential and existing investments include board and management capability and track record, management incentive structures and shareholder alignment, board independence, company reputation and licence to operate, diversity and social impact.
- **Value-chain approach:** Chester's assessment considers risks and opportunities for company securityholders, staff, customers, suppliers and the communities in which they operate.

ESG factors that may be considered as part of company analysis when material include:

Environment	Social	Governance
• Rehabilitation and closure plans • Tailings dam and water management • Preservation of heritage and wilderness areas • Permitting and regulatory delays	• Health and safety track record • Labour relations and workforce turnover • Supply chain risk management • Modern slavery and workforce conditions • Employee engagement	• Ownership and alignment • Board composition • Timely and balanced disclosure of material matters • Conflicts of interest • Management retention and incentive schemes • Insider transactions • Remuneration • Financial reporting integrity

Chester gathers ESG information through multiple channels, including direct company engagement, company reports, financial statements, governance documents and ESG disclosures. External sources include industry publications, broker research, web-based ratings sources and industry participant discussions.

Material ESG risks and opportunities are reviewed periodically and updated as new data, regulations, or events emerge.

Integration into Investment Process

Chester integrates its analysis of ESG factors into investment decision making in several ways depending on the investee company and materiality of the ESG factor as outlined below.

Integration Approach	Description
Valuation	Chester incorporates quantifiable financially material ESG factors into company valuations where possible. Various approaches are taken including: • Forecasting an explicit revenue or expense resulting from an ESG factor, (i.e rising energy costs, labour or compliance costs) and incorporating these into cash flow forecasts • Adjusting cost of capital, both debt and equity as a consequence of being involved in a higher or lower risk industry, or operating in a higher risk jurisdiction, or • Undertaking scenario analysis and including a valuation adjustment.
Engagement and proxy voting	Our analysis may inform our company engagement or proxy voting activities.
Portfolio construction	Chester may adjust the weighting of a portfolio company in response to a material event which may be ESG related – this could be higher or lower
Divestment	Chester may remove a company from its investment universe or divest an existing holding if the ESG risks are determined to be material enough to undermine the investment case.

Stewardship – Company Engagement

While Chester is not an activist investor, we engage regularly with investee company boards and management as part of our stewardship approach. Engagement advances our responsible investment goals, builds lasting relationships with companies, and provides our investment team with greater insight. To be effective, our engagement is typically focused and has well-defined objectives.

Chester believes there will be times where effective engagement and active voting will enhance client investment value and drive positive ESG outcomes that cannot be achieved through divestment. However, Chester considers that the most appropriate course of action when fundamentally disagreeing with a management team's culture or strategic direction is to exit the investment and allocate capital elsewhere.

We record and track outcomes for all engagement activities. The outcomes and insights gained through engagement inform our investment process.

Proxy Voting

Proxy Voting is a cornerstone to Chester's stewardship approach. Chester endeavours to exercise its proxy voting rights for all listed securities it manages on behalf of clients. Our primary objective when voting is to act in the best financial interests of its clients. See the Chester Proxy Voting Policy for more detailed information on our approach and guidelines.

Governance Considerations

Chester considers that strong and effective corporate governance as foundational to long-term economic value creation. We believe sound governance fosters responsible decision-making, ethical conduct, and sustainable business outcomes.

The consideration of corporate governance is embedded in Chester's investment process, focusing on factors such as ownership alignment, board and management capability, remuneration structure and incentives, and the integrity of financial reporting.

Governance is a key consideration for company engagement and fundamental to proxy voting. Chester prefers investee companies establish boards with a majority of independent directors and separate Chairpersons and CEOs. We recognise, however, that effectiveness depends on context, especially for smaller or founder-led companies. Chester expects boards to be comprised of directors with the right skills, experience, and commitment. We evaluate directors on their record of performance, capacity, tenure, and contribution to board effectiveness. Accountability is key, directors must be responsible for company direction, risk oversight and CEO appointment. We are prepared to vote against directors who fall short.

Chester expects remuneration structures to align with long-term value creation for shareholders. We require clear disclosure of remuneration policies and packages, transparency on total compensation, and linkage between pay and sustainable performance.

If Chester fundamentally disagrees with a company's culture, governance or direction, we are prepared to exit the investment.

Environmental Considerations

We acknowledge the global efforts, including the Paris Agreement, aimed at limiting long-term temperature increases and supports a transition toward a lower-emissions economy by 2050.

Climate change is an investment issue that can create social and economic risks and opportunities for the companies we invest in. These may arise from the direct effects of climate change or from the shift to a low-carbon economy.

As an investment manager, our main responsibility is to maximise returns and manage risks for our clients. Climate risks tend to be long-term and uncertain in terms of timing and impact. Where appropriate Chester engages with companies about their carbon emissions and plans to address environment-related financial risks.

Chester's position is to support an orderly and pragmatic transition to net zero, one that does not compromise broader societal, economic, or international competitiveness outcomes. In our view, an abrupt transition risks disproportionately impacting more vulnerable communities and undermining economic stability. As such, we recognise that in the near term, fossil fuels and carbon-intensive industries will continue to play a role in the global economy, particularly where alternatives are not yet scalable or economically viable.

Assumptions

When assessing material environmental risks and opportunities across our investment universe, we use the following assumptions, informed by our analysis and discussions with companies and industry experts:

- The path to net zero emissions will remain uneven and will differ across regions and industries.
- In the short to medium term, some reliance on fossil fuels—especially gas—will continue as renewable energy solutions are further developed. Widespread adoption of renewables is more likely after 2030.
- Gas produces fewer emissions than thermal coal for electricity generation, making it a preferred transitional fuel for some of Australia's trading partners.
- A lower cost of energy has positive economic and social outcomes, which reinforces the need for an orderly transition
- Metals and minerals like iron ore, copper, nickel, and lithium will remain in demand to support the shift to a low-carbon economy.
- New government policies may raise business costs or affect the viability of assets in industries that produce or use significant amounts of fossil fuels.
- Government support and funding will be essential to encourage the adoption of new technologies, especially where higher costs or changes in consumer behaviour are involved.
- To enable transparency and assist with understanding risks to individual companies we support companies disclosing in accordance with IFRS S2 Climate-related Disclosures and the TCFD framework.

Modern Slavery

Chester views modern slavery as a systemic ESG risk and is committed to managing and mitigating the risk across its business operations and investment activities.

We support the United Nations Guiding Principles on Business and Human Rights, which are the recognised global standard for preventing and addressing business-related human rights issues and condemns slavery and human rights abuse. Our approach to managing modern slavery risks in our own operations and investment portfolio is detailed in our Modern Slavery Statement.

The key practices Chester employs to assess and manage the risk of modern slavery in Chester's investment portfolios are:

1. Subscribing to external ESG research and monitoring controversies in respect of UN Global Compact compliance or human rights violations.
2. Undertaking investee company due diligence utilising Modern Slavery disclosures to assess company policies and practices related to labour rights and modern slavery.
3. Seeking to engage with investee companies on identified material ESG risks to foster open dialogue to understand their supply chain management, risk mitigation strategies, and compliance with relevant legislation.
4. Encouraging investee companies to disclose modern slavery risks, including case studies to demonstrate governance practices and highlight how issues are managed when they arise.
5. Offering training to the investment team to assist in developing and maintaining awareness of modern slavery risk.

Reporting

Chester will report on its responsible investment activities to clients through its website and periodic reporting. This includes information associated with proxy voting.

We also participate in the PRI Reporting Framework where practical and publicly disclose the PRI Assessment Report. The PRI Assessment Report results will be used as an indicator to measure the progress of Chester's responsible investment practices.

Responsibilities

Chester's investment team is responsible for identifying, integrating and managing ESG risks in the investment process. Chester requires its investment team to maintain a high degree of awareness of ESG issues and related practice developments.

The Head of Investments is responsible for keeping this policy and guidelines up to date.