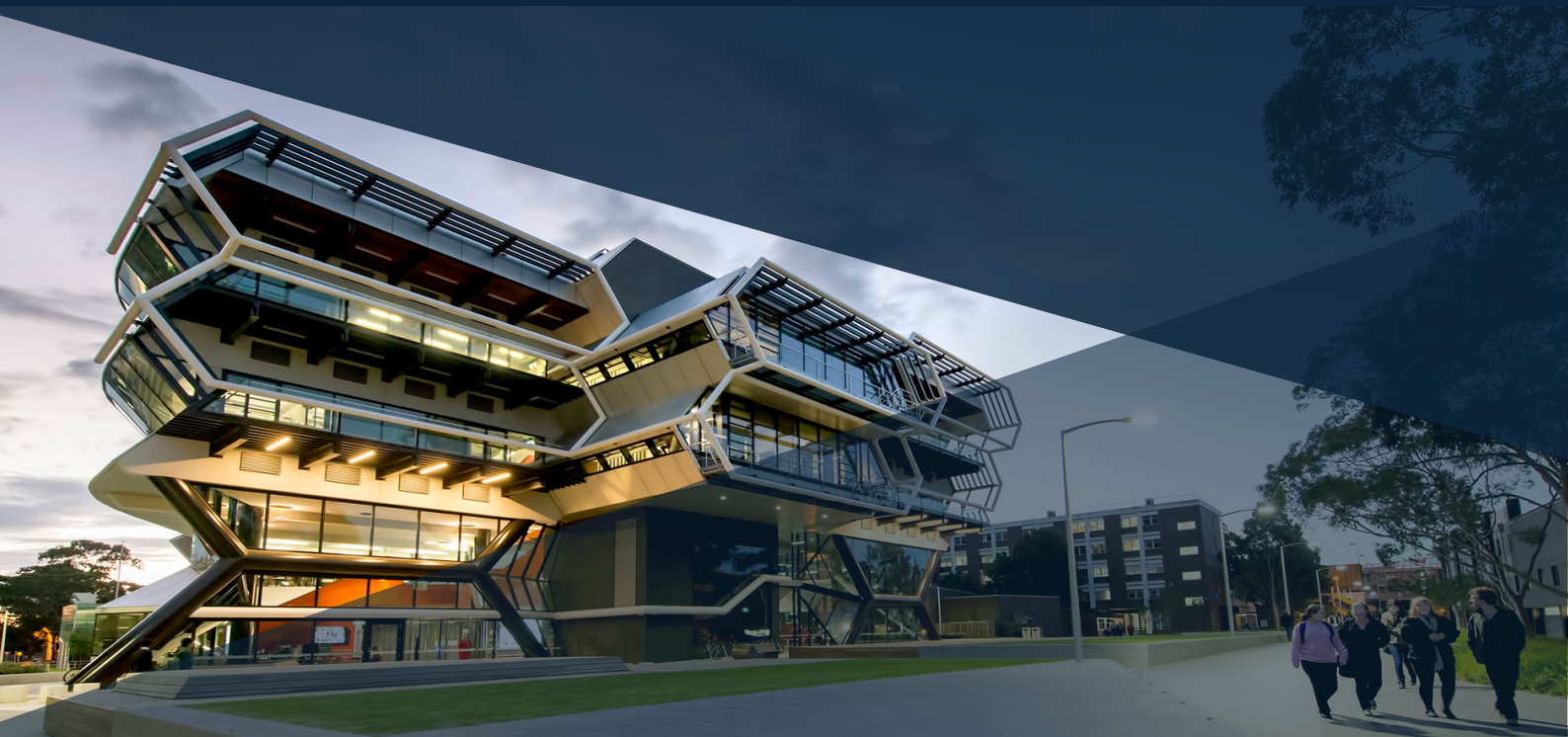


MSMF

MONASH STUDENT MANAGED FUND

Responsible Investment Policy



Responsible Investment Policy

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MONASH
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Author

Jun Wei Giam (Daniel) – junwei.giam@monashmsmf.org

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MSMF ACKNOWLEDGES AND
PAYS RESPECT TO ELDERS
PAST, PRESENT AND
EMERGING PEOPLES OF THE
KULIN NATION, THE
TRADITIONAL OWNERS OF THE
LAND ON WHICH MSMF
OPERATES.

Responsible Investment Policy

Monash Student Managed Fund ('MSMF') is dedicated to upholding our core belief in the significance of environmental, social, and governance (ESG) factors as a student-led organisation. Our ESG vision is:

"At MSMF, we aspire to a global landscape where companies prioritise sustainable and responsible practices, and investors actively contribute to fostering positive change. We recognise that ESG considerations are vital for discerning long-term value and mitigating risk, and we are steadfast in our commitment to incorporating them into our student's investment decisions."

This vision encapsulates MSMF's commitment to ESG principles and underscores the importance of integrating these factors into our student's investment strategies for sustainable and responsible financial practices. Our shift from aspiration to implementation is the key driver of the creation of this Responsible Investment Policy in conjunction with our Sustainable Investment Pillars ensures that sustainable investment principles are consistently applied throughout the fund's investment process.

1. Commitment and Approach

MSMF believes that environmental, social, and governance (ESG) factors are critical as a student-led organisation. We envision to prepare a new generation of leaders that prioritise sustainable and responsible practices when entering the workforce and contribute positively towards society and lead other students to consider and identify sustainable practices in their daily lives.

Fiduciary Duty to Monash University

MSMF recognises that ethical investment methods not only align with Monash University's values, but also protect the institution's long-term financial interests and reputation. By incorporating ESG considerations and actively enforcing our Socially Responsible Investment Policy into our investment decision-making process, we mitigate risks and capitalise on opportunities that are consistent with the university's sustainability values. This strategy not only fulfils our fiduciary duty, but it also demonstrates our dedication to Monash University's purpose of academic excellence and societal impact.

SDG Goals

Our investment approach prioritises the integration of Environmental, Social, and Governance (ESG) factors, with a particular emphasis on investing in companies that positively contribute to the United Nations' Sustainable Development Goals (SDGs). Our alignment principals to SDG goals are outlined in our sustainable investment principals.

2. Climate change position statement

MSMF endorses the IPCC's findings and supports the Paris Agreement¹ to limit global warming to below 2°C by 2050, transitioning the economy to net zero. Climate change is a key investment thematic with material social and economic threats and opportunities to investment teams while they prepare their investment research. We are cognisant that achieving net zero emissions by 2050 requires coordinated action from all parties, including investors, private business, and government globally. Hence MSMF's fiduciary obligation is to act in the best financial interests of our investor, Monash University. And so, the ESG team undertakes research and engagement to better understand the possible impact of climate risks and encourage investment teams to select investment in companies that take action to mitigate them.

¹ The Paris Agreement | <https://unfccc.int/process-and-meetings/the-paris-agreement>

Commitment To Uphold Monash University’s ESG Statement

As a student-run managed fund operating under the facilitation of Monash Business School, Monash University, MSMF will proactively seek to ensure alignment and compliance with Monash University’s ESG Statement² such as, if necessary, actively engagement with companies that the fund is invested in on ESG issues with an emphasis on environmental and social issues.

Net-Zero

By defining an achievable pathway, we ensure that our investment activities contribute positively to environmental sustainability while delivering long-term value to Monash University and our stakeholders. While ensuring the most optimal investment outcomes, we will continuously ensure our commitment to net zero emission from our investment portfolio such as from the result of scope 3 emissions (Financed) emissions. This commitment reflects our dedication to contributing positively to environmental sustainability while delivering long-term value to our stakeholders. To support this goal, we will employ a structured approach to emissions reduction, targeting investments in low-carbon sectors and divesting from carbon-intensive assets where necessary.

A key component of our pathway development to net zero involves continuous portfolio rebalancing. By regularly assessing the emissions profile of our investments, we aim to minimise exposure to carbon-intensive sectors and increase holdings in sustainable, low-carbon emitting assets. This rebalancing process will include setting interim carbon reduction targets, tracking progress, and adjusting our investments as needed to remain on track based on. Through this approach, we ensure that our portfolio aligns with our broader sustainability strategy, while also reducing the financial risks associated with high-emission assets.

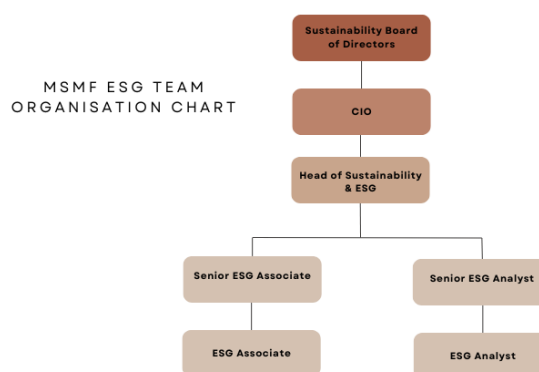
Recognising that some emissions may be unavoidable, the fund will utilise carbon offsets as a complementary tool only when necessary and with the approval of the Sustainability Board of Director, and or with the approval of our faculty facilitators. We will engage with reputable project operators to source high-quality offsets, such as reforestation and renewable energy projects, to mitigate residual emissions. Additionally, we will access the Australian Carbon Credit Unit (ACCU) market as needed to procure credible offsets that support local environmental goals. This offset strategy will be periodically reviewed to ensure it reflects best practices and maximises the environmental impact and cost towards the fund.

3. Stewardship

3.1 Escalation Process

At MSMF, our escalation process emphasises engagement, voting, and divestment as a final measure. This approach is designed to address situations where portfolio companies consistently fail to meet MSMF’s ESG standards, present significant reputational or ethical risks, or engage in activities fundamentally misaligned with the fund’s values.

Recognising the unique learning opportunities involved in managing investments within the framework of student engagement, MSMF aims to leverage the escalation process to enhance stakeholder engagement skills and foster a deep understanding of responsible investment practices.



Engagement

In at the scenario where engagement with companies becomes necessary the ESG Team alongside our CIO and Sustainability Board of Directors will express our concerns in a written letter/ e-mail to IR teams, Directors and associated peak bodies. Additionally, we may utilise engagement service providers such as a proxy advisor service to support our efforts in proactive engagement on environmental, social, and governance (ESG) themes or addressing emerging concerns is prioritised.

² Environmental, Social and Governance Statement 2021-2025 | https://www.monash.edu/data/assets/pdf_file/0004/2707483/ESG-Statement-2021-2025.pdf

Voting Process

If engagement does not yield a satisfactory response or measurable progress, the escalation process advances to an internal Special Divestment Committee review. This review, led by the ESG Team with support from the Sustainability Board of Directors, the CIO, and portfolio managers, will thoroughly examine the situation. During the hearing, MSMF will present documented evidence of the ESG issues, concerns raised, and the company's responses (or lack thereof).

Following the presentation, a vote will be held within the committee to determine whether to proceed with divestment. A majority vote in favour of divestment is required to initiate the divestment process. If the majority vote is not achieved, the matter will be placed on a six-month review timeline. After this period, the committee will reconvene to reassess the situation and vote on divestment again if necessary.

Divestment

Divestment will be enacted only if a company fails to make sufficient progress on ESG issues despite repeated engagement efforts and if internal voting by the Special Divestment Committee results in a majority decision in favour of divestment. The divestment decision will reflect MSMF's commitment to responsible investing and ethical standards, upholding our university's values and reducing exposure to high-risk or misaligned assets. The divestment process will be carried out in a timely manner, with oversight from the CIO and Sustainability Board to ensure adherence to MSMF's sustainability goals and accountability to all stakeholders with consideration to financial risks.

3.2 Modern Slavery

ESG team is cognisant of United Nations Guiding Principles on Business and Human Rights, Australia's Modern Slavery Act 2018 and we expect our investment teams to uphold the same values and regulations. We recognise that modern slavery is prevalent in global supply chains and requires collective action to be eliminated. MSMF acknowledges the importance of addressing modern slavery and human rights issues within our investment practices as an opportunity to make a significant positive impact alongside our People & Culture team.

4. Incorporation of ESG issues into the fund management process (Integration)

ESG and Sustainability Risk Management

MSMF prioritises an adaptive and comprehensive analysis to identify the most significant ESG risks and opportunities for each company within our fund. Our assessment utilises an internal materiality framework ('RISKRI')³ which takes a double materiality view by adapting various reporting and assessment frameworks and tools that align with our materiality assessments and, when applicable, sector-specific, and or issue-specific risk evaluations utilising open-source and public data sources. The materiality framework is consistently applied throughout the fund's investment screening, active monitoring and rebalancing phases to identify potential ESG and Sustainability risks to our investments from a long-term perspective.

Examples of considered ESG factors:

Environmental	Social	Governance
<ul style="list-style-type: none">• Climate Change• Pollution (Air, Sea, Sound)• Biodiversity	<ul style="list-style-type: none">• Diversity and Inclusion• Modern Slavery• Human Rights• Education• Indigenous heritage	<ul style="list-style-type: none">• Corporate Credibility and Transparency• Corporate Culture• Competitive Behavior• Board composition

In line with our stewardship procedures, we may consider adjusting the size of our positions and/or divest from investments if ESG risks compromise the portfolio's ESG risk tolerance. Additionally, we conduct further assessment to determine the sustainability risks associated with the investment on the sector's micro and macro environment.

³ 'RISKRI' Framework | <https://www.monashmsmf.org/sustainability/riskri>

This holistic approach ensures that our investment decisions not only align with our ESG risk tolerance but also mitigate broader sustainability challenges.

5. Exclusions and divestment

Investment activities that are not related to the sale and trade of ETF(s), regardless of value and or position, must adhere to MSMF's Policy on Exclusions.

Exclusions towards investment activities applies to companies if 5% (or more) of their material source of revenue is derived from the sales and trade of:

Companies that are submitted to the CIO to be invested in the fund are required to go through a “first-check” process before which involves a screening process to ensure that the company is in-compliance with our exclusions and divestment policy criteria (5.1- 5.6) to be permissible. Currently as a student-managed fund we encourage students to pitch and valuate as many companies as part of their learning outcome, therefore, no current emission thresholds are set. In addition to our in-house tools to assess ESG risks and upsides, we incorporate third party data as a measure of consideration to our assessments. Third party data such as ESG Ratings will be used as a benchmark throughout our exclusions, negative, and norms-based screening process to identify a company’s performance on material risks identified through our sector-based materiality map including controversies involved.

We understand that ESG factors and materiality differs from each provider, and therefore we take steps to consider risks before utilising the data as part of our process.

5.1 Gambling Activities

Only applies to companies registered and recognised in the ASX or applicable index as Casinos and Gaming (or equivalent) and if 5% (or more) of their material source of revenue is derived from gambling operations and facilitation such as casinos, racetracks, online gambling, lottery operations, sport betting and or other betting/wagering establishments.

5.2 Adult Entertainment

	Exclusion	Definition
Revenue derived from adult entertainment-related	Exclusions towards investment activities applies to companies if 5% (or more) of their material source of revenue is derived from the sales and trade of:	Producer, distributor, and licensing ownership of adult entertainment.
Adult entertainment producer		Companies that produce and publish adult entertainment materials such as pay-per-view programming or platforms, producer of adult X-rated media.
Adult entertainment distributor		Companies that distribute X-rated media and products that are societally deemed sexually explicit in nature regardless of distribution medium.

5.3 Coal

- (a) Exclusions towards investment activities applies to companies if 5% (or more) of their material source of revenue is derived from the extraction and subsequent sale of thermal coal (including steam coal, bituminous, lignite and anthracite) and metallurgical coal.
- (b) Exclusion does not apply to vertically integrated power generation companies with revenues deriving from the extraction and use of thermal coal as a source of power generation.
- (c) Exclusion might be waived to companies who have met the criteria (a) outlined in this subsection below, with the approval and discretion of the Sustainability Board of Directors.

- a. Based on assessments made by Climate Action 100+⁴ on its Disclosure Framework the company must meet all criteria for indicators as an indicator of decarbonisation commitment:
 - i. 1 – Net zero Green House Gas (GHG) Emissions by 2050 (or sooner) Ambition
 - ii. 2 – Long-term (2036-2050) GHG Reduction Target(s)
 - iii. 3 – Medium-term (2028-2035) GHG Reduction Target(s)
 - iv. 5- Decarbonisation Strategy
 - v. 6 – Capital Allocation
 - vi. 7- Climate Policy Engagement
 - vii. 9 – Climate Governance
 - viii. 9 – Just Transition
 - ix. 10 – Climate Related Disclosures

5.4 Tobacco

Sale and Production of:

- (a) Combustible tobacco products;
 - (b) Non-combustible tobacco products;
 - (c) Electronic nicotine vaping systems (e-cigarettes and vaping devices) as defined by the Therapeutic Goods Administration (TGA);
 - (d) Devices specifically designed for the consumption of tobacco.
- (c) Not including companies that have less than 10% of revenues from sales of tobacco-related products.

5.5 Deforestation

This policy applies to investments in companies involved in the production, sale and trade of commodities and products associated with deforestation and land degradation. Our deforestation exclusion policy will be continuously developed and aligned with sustainable investment practices to address deforestation risks by drawing from the principles in EU Regulation (EU) 2023/1115, to ensure Australian regulatory compliance and ecosystem priorities. However, we consider divestment from companies with high deforestation exposure, especially in Agriculture, Forestry, and Other Land Use (AFOLU) sectors, is considered a last-resort measure if engagement and improvement actions are not viable⁵.

(a) Palm Oil

Criterion applies specifically to upstream growers operating in regions where deforestation risks are prominent, with an emphasis on alignment with sustainable practices as per globally recognised principles, such as the Roundtable on Sustainable Palm Oil (RSPO).

- I. Companies must adhere to the seven core RSPO principles, demonstrating compliance with sustainable palm oil production practices. Failure to align with RSPO standards or demonstrate a clear commitment to sustainable practices will trigger the exclusion clause. Where non-compliance is evident, engagement will be prioritised to encourage compliance, and only if unsuccessful, divestment may be considered.

(b) Agricultural commodities and Timber

Companies within these sectors will undergo a comprehensive assessment according to the MSMF Deforestation Assessment Procedure. This includes leveraging third-party data and tools to evaluate their exposure to deforestation risks in their operations and supply chains.

- I. Companies identified through assessments as having a substantial risk of contributing to deforestation due to unsustainable agricultural or forestry practices may be excluded from investment portfolios.

A detailed review will be conducted for each company based in this section on MSMF's Deforestation Assessment Procedure, which incorporates third-party data sources to evaluate environmental performance. This approach includes:

⁴ <https://www.climateaction100.org/whos-involved/companies/>

⁵ https://wwf.panda.org/wwf_news/?345432/WWF-to-financial-institutions-Dont-divest-away-our-forests

- **Thematic Assessment**

Conducted in alignment with key sustainability standards, evaluating companies based on criteria including traceability, certification, and compliance with deforestation-free commitments such as but not limited to the utilisation of assessment methodologies such as Financial Deforestation Due Diligence methodology by Climate & Company and Global Canopy⁶

In addition, the assessment will consider factors such as land conversion practices, alignment with sustainable forestry standards, and verified participation in certification schemes (e.g., Forest Stewardship Council - FSC, Australian Forestry Standard - AFS).

- **CDP Scoring**

Companies that fall under sub section (a) Palm Oil and (b) Agricultural commodities and Timber will be evaluated on their CDP Forests score⁷ (if applicable) based on Module 8, with attention to transparency, risk management, policies on deforestation-free commodities, supply chain traceability and efforts to reduce deforestation in palm oil production. A low CDP score or insufficient transparency and policies may indicate heightened deforestation risks, influencing exclusion decisions.

- **Third-Party Verification**

Third-party data providers will be used to ensure the accuracy of deforestation risk data, considering both operational and supply chain activities such as but not limited to utilisation of findings from Global Forest Watch, NGOs, Governments and Press.

5.6 Out-right Exclusion

Additionally, companies which have been conclusively and evidently found to have engaged with acts of human rights abuses, crimes against humanity, animal cruelty and or substantial environmental degradation/destruction will be raised to the Board of Sustainability to be excluded outright. This also applies to companies that derive any of their revenue from the sales and trade of:

- Nuclear Weapons;
- Landmines
- Biological/Chemical and or
- Cluster Munitions.

*Excluding companies that manufacture, trade, distribute, service components of mentioned weapons systems.

MSMF as registered and operating in the country and territory of Australia, will adhere to legally excluded companies that have been (ie. sanctioned, embargoed, blacklisted) as listed by the Australian Government Department of Foreign Affairs and Trade (DFAT)⁸.

5.7 Uncaptured Exclusions

The fund recognises that new environmental, social, and governance (ESG) concerns may emerge that fall outside its current exclusion criteria set above. This sub-section sets out a procedure for addressing unforeseen issues raised by internal teams and external stakeholders, such as students and members of the Monash community ensuring commitment to ethical and sustainable investment. When issues arise, regarding companies that we have invested in such as involvement in weapons manufacturing or operations in politically sensitive regions, MSMF will conduct a transparent and prompt evaluation. Concerns will be documented and assessed based on their materiality, ethical implications, and alignment with our sustainability and social responsibility standards.

MSMF commits to an initial assessment within 30 days of a formal issue being raised. And if deemed significant, the ESG team, will review the ESG impact, reputation risk, and ethical alignment of the issue to the fund. Following this, MSMF may choose to engage with the company, continue monitoring, or recommend divestment if necessary. In addition, out-of-cycle reviews to the divestment clauses may be prompted by events such as geopolitical conflicts, regulatory changes, or shifts in public opinion. These reviews will ensure timely responses to emerging risks, with regular updates provided to stakeholders as needed.

⁶ https://guidance.globalcanopy.org/wp-content/uploads/2024/07/Making-Deforestation-Due-Diligence-Work-in-Practice_Climate-Company_AP2_Global-Canopy_07-2024.pdf

⁷ https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/009/102/original/CDP_2024_Corporate_Questionnaire_Guidance_Modules_8-13.pdf

⁸ <https://www.dfat.gov.au/international-relations/security/sanctions>

6. Collaboration & Education

Our policy on collaboration and education regarding ESG investment principles as one of the core pillars includes:

- Collaborative workshops, and seminars led by industry experts, and guest lectures to provide real-world insights.
- Development of case studies, investment simulations.
- Engaging with industry partners for mentorships.
- Integrating ESG principles into our finance curriculum and offering research opportunities for students.
- Educating students on Net-zero and Diversity & Inclusion initiatives.

Through these measures, we aim to cultivate a holistic understanding of ESG investing among our members while promoting responsible investment strategies and learning to students to foster a generation of sustainability-thinking graduates.

7. Policy revision

The ESG department senior managers and CIO, in consultation with the Sustainability Board of Directors will review and update policies relating to ESG & Sustainability on an annual basis or as frequently if required. Our Responsible Investment Policy is updated and maintained to ensure that policies remain relevant and updated with industry standards and university requirements.

8. How we report

To gauge the effectiveness of our ESG and Stewardship initiatives, the Fund opts for impartial assessments, providing an objective measure of our progress through our Sustainability Annual Report serves as a platform for comprehensive reporting and disclosure of our fund, offering stakeholders insights into the tangible impact of our ESG and Stewardship integration. It will be the responsibility of the ESG team to perform assessments relating to activities of the fund and the operations of the organisation.

Assessment topics and measures will cover in-line with a combination of established reporting frameworks as indicated below along with the current reporting integration status:

Reporting Frameworks and Measures	Status
SASB (Asset Management & Custody Activities)	Integrated ⁹
UN-SDG	Integrated ¹⁰
ASRS / IFRS S1	Planned, Voluntary-Only
Global Reporting Initiative (GRI)	Planned

As the reporting team in MSMF comprises one hundred percent of voluntary students, and reporting is done on a voluntary basis. Our involvement in reporting hinges on factors such as the time investment required, potential benefits, and the likelihood of contributing to the enhancement of ESG industry standards and practices. MSMF currently has no plans to engage with external auditors unless deemed necessary by the sustainability board of directors and at the discretion of the organisation's university facilitating faculty.

To maintain accountability, the fund will implement a transparent reporting framework for monitoring and disclosing the emissions of our investment portfolio, including a potential for updates on our net zero progress. Annual emissions disclosures, impact reports on portfolio rebalancing, and detailed accounts of offset activities will be shared through our Sustainability Annual Report on the fund's website.

⁹ <https://www.monashmsmf.org/sustainability/policy/how-we-report>

¹⁰ <https://www.monashmsmf.org/sustainability/investment-principles>

