

Responsible Investment Policy

3 July 2017

A. INTRODUCTION

As a global equities manager focused on the intrinsic value of companies, considerations of environmental, social and governance (ESG) issues have always been an inherent – though not always explicit – part of the investment process of Platinum Investment Management Limited (Platinum).

We believe, based on both Platinum’s own experience and studies by third party researchers, that incorporating ESG considerations (such as those listed in Appendix 1) into the investment process by employing a robust framework can lead to more informed and holistic investment decision-making and, ultimately, better investment outcomes for our investors.

This Policy affirms Platinum’s commitment to responsible investing and outlines our approach to practising responsible investing, which comprises of three components:

1. integration of ESG considerations in our investment process;
2. engagement with portfolio companies; and
3. proxy voting.

This Policy has been approved by Platinum’s Board of Directors who exercises oversight over the firm’s approach with respect to responsible investing. The Chief Investment Officer is responsible for supervising the implementation of this Policy, including training as well as monitoring engagement and proxy voting activities.

B. PLATINUM’S INVESTMENT PHILOSOPHY AND APPROACH TO ESG

We are a fundamental equity investor, and firmly believe that private enterprise plays a central role in wealth creation and social advancement. It is also our belief that value creation for shareholders ought to be aligned with value creation for society at large. Platinum invests with a long-term outlook (typically five years or more) and, as part-owners of the enterprises in which we invest, it is paramount to us that they maintain their social licence to operate. As such, we view social and environmental sustainability as well as sound corporate governance as being vital to a company’s long-term viability, growth and profitability.

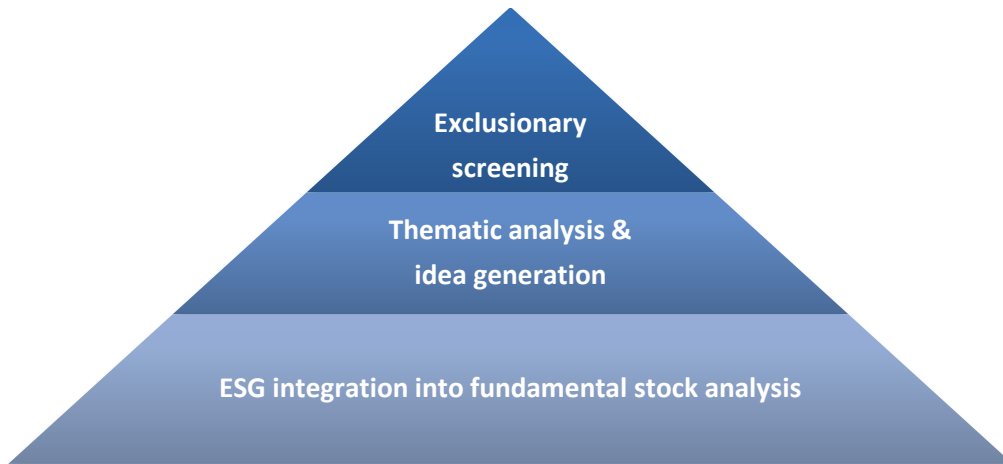
The key to Platinum’s approach to investing is to look through the mist of market sentiments and irrational fears, and beyond the temporary drawbacks caused by change, to seek out companies whose intrinsic value is under-appreciated by the market. Material ESG trends and factors can directly and indirectly impact on a company’s financial performance and prospects, and when such externalities are not fully reflected in the company’s share price, it may create opportunities for the discerning, but may also pose investment risks for the unwary.

To assess a company’s true worth – the core of Platinum’s mission, a nuanced consideration of the company’s operations and operating environment is essential, and the evaluation of material ESG issues and risks, like traditional financial and operational factors, is an integral part of this exercise.

C. ESG INTEGRATION IN PLATINUM'S INVESTMENT PROCESS

In incorporating ESG analysis into its investment process, Platinum employs three main integration techniques: exclusionary screening, thematic analysis and, most importantly, integrated analysis.

ESG INCORPORATION IN PLATINUM'S INVESTMENT PROCESS



1. Exclusionary Screening

Exclusionary screening refers to the exclusion of specific industry sectors, countries or companies from the investable universe on the basis of ethical values or norms. Platinum currently applies screens against the following categories of companies:

- (a) entities engaged predominantly in the manufacturing or distribution of tobacco products;
- (b) entities engaged predominantly in supplying munitions or military weapons; and
- (c) entities subject to restrictive measures under relevant sanctions programs.

We view such businesses as uninvestable from both an economic perspective and an ethical standpoint. Not only are they engaged in activities that cause significant social harm, but they also present material investment risks, be they the risk of litigation or an unsustainable demand trajectory.

Platinum exercises a high degree of caution when setting the screens. This is because, firstly, extensive exclusionary screening risks unduly excluding many potentially profitable investments from our investable universe and, secondly, ethical values and norms can be subjective and controversial. As such, Platinum limits its use of exclusionary screens only to issues on which it holds a strong view and where that view reflects the long-standing, generally-accepted position of the international community.

2. Thematic Analysis and Idea Generation

Generation of investment ideas is eclectic in nature, and is often underpinned by observations of the changing social and political landscape as well as secular trends such as demographic shifts and technological disruptions of traditional industries. Many of these themes pertain to ESG issues, such as the transnational efforts to boost renewable energy generation and consumption, the growing demand for aged care, and regulatory reforms to curtail corruption. Appendix 1 sets out some examples of the ESG themes and issues that Platinum may consider, though the list is neither exhaustive nor prescriptive.

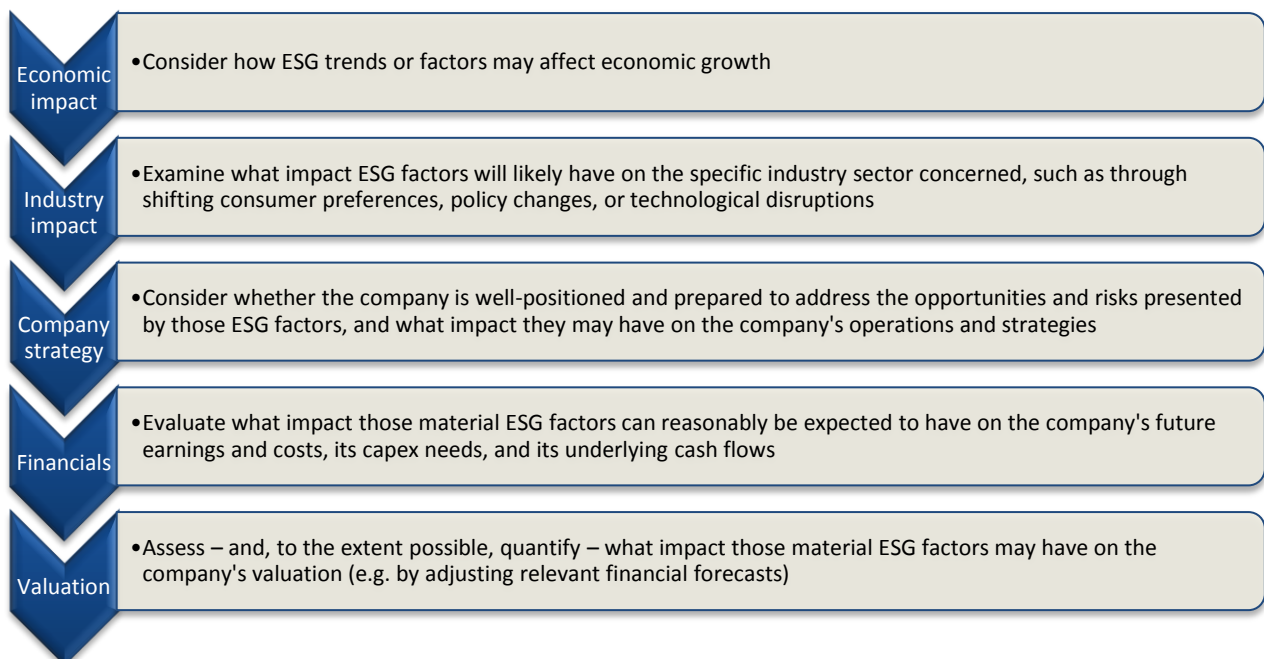
Platinum conducts positive and negative thematic analyses of ESG trends and drivers to generate investment ideas. We study trends that are driving positive environmental or social change to identify the sectors and companies that are best positioned to take advantage of the opportunities by being a contributor to or a beneficiary of the change. Conversely, when a negative ESG trend such as regressive corporate behaviour is observed, not only do we assess the ensuing financial, regulatory and other risks for the companies concerned, but we may also derive new investment ideas by considering whether competitor companies and neighbouring industry sectors might have or gain a competitive advantage by employing more socially or environmentally responsible strategies to achieve more sustainable outcomes.

3. Integrated ESG Analysis in Stock Research

As Platinum builds each portfolio from the bottom up through individual stock selections, detailed stock research is the most important step in our investment process. The consideration of material ESG issues and factors (such as those listed in Appendix 1) is ingrained in the ways in which we seek to understand how businesses work and forms part of the fundamental research on each investment case along with traditional financial and operational factors. ESG factors are integrated into both the qualitative and quantitative analyses that ultimately lead to an assessment of the company's fair value.

Platinum uses ESG data and ratings supplied by external service providers as a point of reference when evaluating a company. However given the complex nature of ESG issues, such ratings are not applied as an automated tick-box exercise. We seek to gain constructive insights from the reasons behind a particular ESG rating and correlate it with our own analysis of the company. Where a company's ESG score is below a certain mark, we will pay particular attention to the issues highlighted by the external agency's ESG analysis, but will form our own assessment on the potential impact they may have on the company's prospects and hence its valuation.

When considering specific ESG issues, Platinum's approach typically encompasses some or all of the following aspects of analysis (as appropriate):



Analysts are required to summarise their analyses of material ESG issues in their stock research notes, which are then rigorously discussed and debated with other members of the investment team.

Where relevant, we will consider whether a company adheres to relevant ESG standards or codes of conduct (such as the UN Global Compact, the Carbon Disclosure Project, and prevailing labour standards) and what impact the adoption of such ESG standards has had or may be expected to have on its operations and performance. We pay close attention to how a company's actions on ESG-related issues match its publicised strategies, and would factor into consideration its sustainability reporting. However, we are conscious of the importance to delve below the surface, and do not confine our research to company sponsored information or sell-side research, but rather seek out different viewpoints and garner insights from a variety of sources.

As well as moving towards a more systematic approach of integrating ESG analysis into our stock selection process, which will include the incorporation of independent third party ESG ratings into new investment analysis and decisions, we will also progressively undertake an ESG review of existing portfolio companies and cross-test our analysis against the ESG ratings provided by external researchers. One of our objectives is to, over time, deepen our understanding of the ESG performance of our portfolio companies through periodic reviews of the average ESG ratings in our portfolios, both in absolute terms and relative to comparable benchmarks.

D. PLATINUM'S APPROACH TO ENGAGEMENT

Platinum seeks to actively engage with our portfolio companies to deepen our understanding of management's views and strategies on ESG-related issues and to voice any concerns we may have about them.

Before initiating a long position in a company, our analysts typically meet or speak with members of the management team or other representatives of the company to ask a range of questions about its operations, the challenges the company may be facing and the key conditions required for its continued success. These may encompass targeted questions relating to ESG factors, such as supply chain management, employee relations, environmental risk and mitigation as well as corporate governance. The dialogue with management continues in regular follow-up meetings and conversations after we invest in the company. Analysts are required to keep a record of the key findings from these meetings and monitor the progress of any initiatives discussed.

We will raise our concerns with management if we believe that the company is pursuing a course of action that risks jeopardising the sustainability of the business and is thus detrimental to shareholder value. From time to time, Platinum may also cooperate with other shareholders or shareholder representative bodies to engage with a portfolio company on an important cause that we strongly support or oppose. However, given the diversified nature of our portfolios, we are realistic about the extent to which we can effect change through active ownership, and we may choose to exit a position in cases of material ESG risks rather than persisting with attempts to engage with an unreceptive management team. Our guiding principle is to act in the best interest of the investors whose money we manage.

E. PLATINUM'S APPROACH TO PROXY VOTING

Platinum receives notices of general meetings from its portfolio companies through its custodians. Voting decisions are made on a case by case basis. Given that taking long positions in a company generally reflects our alignment with and confidence in its management, we will generally appoint management as our voting proxies unless we hold a contrary view on a particular motion.

Platinum does not participate in protest voting, and will only vote with the intention of having the motion carried. As such, unless we intend for a particular motion to be defeated, we will generally vote in favour of the motion, but may also abstain from voting on company formalities.

We will vote on significant matters, such as proposed share buy-backs, mergers and acquisitions, significant asset divestments and business reorganisations, and will exercise our voting rights in the best interests of our investors after careful consideration of all available information. Where a motion pertains to a significant decision by a portfolio company and our portfolio managers or analysts deliberate on the matter proposed, a summary of the key reasons for their voting recommendation will be recorded in writing. Where deemed appropriate, Platinum may, on occasion, consult with external proxy advisors on significant resolutions. However, the ultimate decision lies with Platinum's investment team and is always guided by what is in the best interest of our investors.

Platinum maintains a register of any votes cast by it. Instances of abstaining are not recorded. A summary of Platinum's proxy voting actions is available on request.

APPENDIX 1
EXAMPLES OF ESG ISSUES AND FACTORS

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Climate change – direct and indirect impacts	Workplace health and safety	<ul style="list-style-type: none"> Executive compensation – structure and quantum Retention and incentivisation
Greenhouse gas emissions – <ul style="list-style-type: none"> measurement and monitoring of carbon footprint reporting and disclosure emissions trading schemes / carbon tax 	<ul style="list-style-type: none"> Working conditions, including slavery and child labour Adherence to international standards (e.g. labour standards set by the International Labour Organisation, the OECD Guidelines for Multinational Enterprises, the SA8000 certification standard) 	Governance culture, e.g. <ul style="list-style-type: none"> whether founder-owners remain key decision-makers whether majority of senior executives are internally promoted or parachuted from outside
Stranded assets	<ul style="list-style-type: none"> Employee relations and diversity, including staff turnover, union relations Human capital management 	Voting rights, e.g. <ul style="list-style-type: none"> dual-class share structure cumulative voting
Renewable energy technology	Supply chain management, particularly those with extensive offshore sourcing	Board structure: <ul style="list-style-type: none"> independence diversity
Energy efficiency	Political risk in troubled markets, community engagement	Bribery and corruption
Resource depletion, including availability and supply of water	Community relocation and resettlement; mass migration	Financial reporting, audit and compliance
Waste and hazardous material management; recycling	Demographic trends (e.g. aging society)	Political lobbying and donations
Pollution and contamination (air, water, soil)	Healthcare trends (pandemics, obesity, communicable diseases, microbial drug resistance)	Corporate culture, e.g. accountability, transparency, whistle-blower protection
Deforestation	<ul style="list-style-type: none"> Product quality and safety Product labelling and packaging Marketing and advertising practices Customer satisfaction 	Capital management: <ul style="list-style-type: none"> excessive leveraging opportunistic or inequitable equity raisings opportunistic or inequitable share buybacks
Intensive farming	Geo-political conflicts and shifts	Anti-trust behaviour (including whether focused on organic growth or aggressive M&A)
Impact on biodiversity	<ul style="list-style-type: none"> Cybersecurity Data protection Privacy 	Tax structuring: <ul style="list-style-type: none"> legitimate tax minimizing vs. aggressive tax avoidance use of offshore tax havens use of tax avoidance mechanisms such as base erosion and profit shifting, transfer pricing, cost sharing agreements