ARGO INVESTMENTS LIMITED

ENVIRONMENTAL, SOCIAL AND GOVERNANCE INVESTMENT STATEMENT

Introduction

A company's financial and share price performance is increasingly subject to environmental forces, social trends and governance imperatives (ESG).

Argo Investments Limited (Argo) considers ESG issues to be an important component of its investment decisions given the potential for these factors to significantly impact an investee company's long-term value.

An assessment of ESG issues is an inherent part of our investment process.

ESG integration in our investment process

Analysis of non-financial factors, including ESG issues, is incorporated into our assessment of a company's future risks and opportunities. Potential liabilities and future growth implications arising from ESG issues are factored into our forecasts and impact our long-term valuation of a company.

Transparency and reporting

Transparency and reporting of ESG exposures and strategies is critical in our assessment of a company's future performance.

We maintain close scrutiny of companies working to resolve ESG-related issues and assess the impact of initiatives on a business's future value. We take a proactive approach to engaging management of companies in which we invest or are evaluating on ESG issues.

Proxy voting guidelines

We carefully consider the proxy voting options attached to companies in our portfolio. Voting decisions are made based on our analysts' in-depth research and we engage a company's management and/or board as required.

Environmental considerations

Environmental policies and regulation are likely to have a significant impact on the future profitability of many Australian businesses. Companies that anticipate regulatory and investor scrutiny of the environmental impact of their operations, and adjust their businesses accordingly, may offer enhanced returns or a lower risk profile relative to their under-prepared competitors.

We consider a range of environmental issues in our qualitative assessment of a company. Examples include:

- Carbon and greenhouse gas emissions including measurement and reporting
- Potential impacts of climate change
- Hazardous waste disposal and/ or clean-up
- Pollution and toxic release
- Use and generation of renewable energy
- Resource depletion

Social considerations

We believe a strong relationship exists between a company's approach to social responsibility and financial performance. Companies that have failed to act in the best interests of workers, local communities and special interest groups have been subject to legal action, trade union action, lobbying, public backlash and government intervention. These outcomes harm profitability and investor sentiment exacerbating the negative share price impact.

If a company fails to act in accordance with its social responsibilities, or perceived social responsibilities, this can damage its reputation and brand integrity.

We consider a range of social issues in our qualitative assessment of a company. Examples include:

- Workers' rights and labour relations
- Work health and safety measures
- Recognition of human rights and the use of child and/or slave labour
- Animal welfare
- Discrimination and sexual harassment
- Diversity at all levels within the organisation
- Predatory lending practices
- Political risks from being engaged in troubled markets/ countries

Governance considerations

A key characteristic of our portfolio is to hold companies with quality management. In assessing the quality of management, we take into account corporate governance issues.

Regulators and investors have a greater focus on transparency and disclosure of corporate governance. There is also academic research on the link between governance practices and corporate performance. We believe that companies that rate poorly against these criteria are less likely to achieve strong, long-term financial performance.

We closely scutinise companies for negative governance issues, such as mismanaged company finances, incoherent strategic vision, failure to capitalise on investment opportunities, poor acquisition discipline and related party transactions.

We consider a range of governance issues in our qualitative assessment of a company. Examples include:

- Board experience and diversity
- Stakeholders' interests and shareholders' rights
- Management's track record and accountability
- History of capital allocation and deployment
- Levels of transparency and disclosure
- Cumulative voting or majority voting
- Dual-class share structures
- Executive compensation
- Separation of Chairman/ CEO roles