

<b>Policy Name:</b>	Responsible Investment Policy
<b>Date of Policy:</b>	July 2021
<b>Next Review:</b>	October 2021

## 1. Commitment to Responsible Investment

Clearwater aims to be a responsible investment manager. Considering the impact of environmental, social, and corporate governance (ESG) factors in managing our portfolios can enhance long-term performance and reduce financial risk. This means that we incorporate ESG factors into our decisions relating to the management of our portfolios.

We firmly believe that ESG factors have the potential (to varying degrees across companies, sectors, regions, asset classes and through time) to impact the risk and return profile of the businesses and other assets in which our managers invest. We believe that companies with good ESG practices and processes can better meet society's long-term expectations by contributing to the sustainable development of the environment in which they operate. Companies focused on these issues are more resilient and are more likely to improve long term returns for all stakeholders.

Conversely, companies unwilling or unable to sufficiently support an internal culture that can appropriately consider ESG issues are more likely to be susceptible to existential threats and will deliver diminished investment value over the longer term.

As a signatory to the United Nations-supported Principles for Responsible Investment (PRI), we commit to the following;

- **Principle 1:** We will incorporate ESG issues into our investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

In signing the Principles, we publicly commit to adopting and implementing them, consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve our application of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries and better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles.

## 2. Approach to Responsible Investment

ESG analysis is an integral part of our investment process and is applied across our portfolios. ESG risks are one of many factors considered on a subjective basis in deciding whether a manager or other investment is of sufficient quality for inclusion on our portfolios.

We do not employ staff dedicated solely to ESG, nor do we have separate incentives for ESG insight. ESG analysis is a fundamental and integral part of all our research and operations.

For our, and as part of our commitment to being a signatory to the UNPRI, we confirm;

- We currently target 50% of our AUM and 50% of our managers follow acceptable ESG principles and ideally are also UN supported PRI signatories.
- Gary Lucas as CEO and Director of Clearwater, is responsible for oversight of our Responsible Investment approach and policy.
- Internal and external staff, consultants and investment committees can also implement RI policies on behalf of Clearwater. However, most of the responsibility will remain with Gary Lucas as CEO.
- This policy is to be publicly available.

## 3. Integration of ESG into our investment decisions

As managers who invest in other managed funds, we apply our principles to those managers on an initial and ongoing basis. Our processes incorporate ESG issues into our decision-making and we seek appropriate disclosure on ESG issues from the managers in whom we invest.

To achieve this, we address ESG issues with managers and obtain a copy of their policies. We then assess the substance of their commitment to ESG. Additionally, we ask if they are signatories to the UNPRI to help demonstrate commitment.

## 4. Screening

We rely on the managers we use to apply appropriate screening principles.

## 5. Sustainable Development Goals

The United Nations has established a globally accepted set of Sustainable Development Goals (SDGs) underpinned by specific targets and indicators by which they will be measured. The SDGs set the expectations and track progress on critical global issues. The SDGs set the global goals for society and all its stakeholders, including investors.

Clearwater recognises our role in contributing to the SDGs.

## 6. Active Ownership / Stewardship Policy

As owners and active stewards of our investors capital, we can positively impact those companies we invest in, albeit indirectly via the managers we engage. Additionally, we can create a better outcome for all stakeholders by maximising the overall long-term value to our clients, including maximising returns, minimising harm, and maximising overall non-financial value.

## 7. Engagement Process

We believe that engagement is a more powerful tool than divestment alone. We value the benefits of direct engagement with our managers, as they enable the investment committees to make more informed decisions to contribute positively to the sustainability of society. Engagement activities may alter the investment case of a manager in either a positive or negative way.

Our engagement process consists of the following steps:

- **Prioritise issues:** Our view is that issues need to be evaluated on a case-by-case basis as many complexities and variables are often involved. When assessing the ESG issues of a company, it is important to consider factors such as the materiality of the issue, specific sensitivities of individual clients, the level of leverage we can exert on the manager, the adequacy of public disclosure of ESG factors, the length of time over which any shortcomings are ongoing, and whether any change in behaviour has occurred.
- **Define objectives:** Once an issue for engagement is identified, the objectives will reflect Clearwater's expectations of the manager and aim to achieve specific outcomes. This ensures we engage in meaningful conversation and can track and monitor our engagement activities. We recognise that the impact of our engagements will take some time to materialise and we will revisit and revise engagement objectives continuously.
- **Determine engagement method:** The majority of our contact is with individual portfolio managers. In some cases, they are also owners of the business. We have opportunities initially and regularly to engage with these high-level persons.
- **Review and share insights:** Our approach at our initial and ongoing manager meetings is for Clearwater to send a questionnaire in advance to the manager, which includes ESG issues. This document is used as an initial agenda before moving onto additional items. All Clearwater participants make notes and a recommendation. The meeting documentation is retained and then shared with the investment committees.
- **Next steps:** Clearwater will follow up on an engagement where we believe necessary due to the materiality of the issue or need for further discussion.

## 8. Anti-Modern Slavery Statement

This statement sets out Clearwater's actions to understand all potential modern slavery risks related to its business and put in place steps to ensure that there is no slavery or human trafficking within our own business and our external service providers. This extends to the managers in which we invest client money, the companies in which they invest and the supply chains of those companies.

When alerted to any concerns related to modern slavery, Clearwater will review the practices of these parties. Any medium or high risks will be subject to further consideration.

Modern Slavery risk forms a part of our responsible investment approach and is included in the ESG assessment of a manager.

Clearwater reserves the right to terminate its relationship with any external service providers or exit managers, which we find to pose any medium to high modern slavery risks directly or indirectly. Clearwater may request policies and procedures from these parties to identify if they have addressed modern slavery risks and seek to prevent slavery and human trafficking in their supply chains and operations. When deemed necessary, Clearwater may use specified, reputable agencies to verify the practices of these parties.

## 9. Climate Policy

Incorporating climate-related risks and opportunities that may apply to our investments is a key part of our fiduciary duty to maximise the overall long-term value to our clients.

All investment committee members are responsible for including direct and indirect climate-related risks into the analysis of potential investments. They are responsible for determining the degree to which climate-related risks apply and whether it is appropriate to monitor any climate-related metrics as part of the ongoing ESG assessment of each potential and existing investment.

Where an investment is exposed to specific climate change issues, we will have a section of the investment initial analysis or review specifically focused on the risks and what the manager is doing to mitigate these risks. This forms part of our process and will be discussed as part of the debate on the investment. However, it is unlikely that investments that have onerous risks from climate change issues, whether company specific or from regulation, would make it into our portfolios in the first place.

Clearwater does not have dedicated resources specifically for climate risks. Instead, the Clearwater CEO undertakes training to help ensure the maintenance of adequate skills and resources.

We ensure that this policy is applied consistently across the organisation through the following mechanisms:

- Use of templates for our process of gathering information from managers on an initial and ongoing basis.
- Communication of our policies at Investment Committee meetings.
- Regular review of our policies.

Clearwater publishes a range of information related to our Responsible Investment practices. Information is published on our website and to inform existing and prospective investors as well as the managers we use, external service providers, and suppliers or interested members of the public. This includes:

- A commitment to responsible investment and that we are a PRI signatory.
- This policy
- An annual update in relation to our ESG activities

## 10. Environmental Policy

Clearwater recognises that it has a responsibility to the environment beyond legal and regulatory requirements. We are committed to reducing our environmental impact and continually improving our environmental performance as an integral part of our business.

The CEO is responsible for ensuring that the environmental policy is implemented. However, all consultants and service providers have a responsibility to ensure that the aims and objectives of the policy are met. We endeavour to:

- Comply with or exceed all regulatory requirements that relate to the Company;
- Continually improve and reduce environmental impacts;
- Minimise waste by evaluating operations and ensuring they are as efficient as possible;
- Incorporate environmental factors into business decisions;
- Increase awareness; and
- Review this policy and any related business issues.

Specific initiatives to meet these objectives include:

### **Energy**

- Currently, Clearwater operates from the residential locations of the CEO and consultants. Not using a common office location already means that we have reduced our impact on energy and water usage areas. Office space is usually a large factor in energy and water usage. If we are in a position where a separate office is considered necessary, we will only lease premises rated average or better (at least 3) on the NABERS scale.
- Regardless of the location, we will seek to reduce the amount of energy used as much as possible

### **Office Supplies and Equipment**

We will minimise the use of paper in the organisation by:

- Only printing when necessary.
- Printing doubled sided and multiple pages per sheet where possible.
- Encouraging other parties to provide documents electronically.
- We will seek to buy recycled or certified sustainably sourced paper products.
- We will evaluate the environmental impact of any new products we intend to purchase and favour more environmentally friendly and efficient products wherever possible.
- We will recycle everything we can, including paper, plastic, glass, and metal waste. Electronic equipment such as computers and mobile phones. Printer ink cartridges

### **Transportation**

- We will minimise the need to travel, restricting it to necessary trips only.
- We will support and promote the use of travel alternatives such as e-mail or video/phone conferencing.
- We will make additional efforts to accommodate the needs of those using public transport or bicycles.

## **11. Training**

As Clearwater has only one full time and permanent employee, being the sole shareholder and director, Gary Lucas, he is required to undertake training to maintain skills and knowledge to ensure compliance with this policy.